CONNECTICUT VOICES FOR CHILDREN

8 Things Everyone Should Know About Congress' 2006 Budget (Reconciliation) Conference Agreement

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When Congress returns at the end of this month, the House will take up, for the second time, the Budget Conference Agreement. (Because the version passed by the Senate at the end of December was not identical to an earlier House version, the bill must be voted on again in the House.) In this budget, children, students, and families, many of whom are low-income, take the biggest hit, with more than half of the total $ 40 billion in "savings" over five years coming from cuts to programs that help provide access to health care, child care, and higher education.

The Conference Agreement:

1. **Increases the Federal Deficit**. Although the Conference Agreement is titled "Deficit Reduction Omnibus Reconciliation Act of 2005," the spending reductions (nearly $40 billion over 5 years) are far *less* than the tax cuts ($56 billion over 5 years in the House-passed tax reconciliation bill alone; about $120 billion counting all House tax cuts passed in 2005).

2. **Widens the Divides Between Rich and Poor**. More than half of the "savings" in the Conference Agreement are achieved through cuts to essential supports for children, students, families, and individuals, many of whom are low-income (e.g., $12.7 billion from student loan programs; $6.9 billion from Medicaid and SCHIP).

These cuts in spending are adopted to offset tax reductions that disproportionately benefit wealthy Americans. For example, 40% of the tax cut benefits in the House Reconciliation Tax Bill go to those persons with income over $1 million/year.

3. **Reduces the Availability of Health Care for Low-income American Children & Adults.** The Conference Agreement:

- Allows increased and new co-pays and premiums to be charged to low-income children and adults;
- Allows certain co-payment increases to be based on the Medical Consumer Price Index (CPI) even though the medical care component of the CPI has been rising twice as fast as the general inflation rate and thus at least twice as fast as the wages of low-income beneficiaries;
- Allows scaled-back health care benefits for low-income children & adults, including nearly all children, regardless of income;

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- Creates a new – and for the states costly – barrier to health care for United States Citizens that will hit elderly, native-born African-Americans particularly hard; and
- Restricts access to nursing home care through overly restrictive rules on asset transfers.

4. Enacts the Largest Cut in the History of the Federal Student Aid Program. Non-affluent college students and their parents are bearing the largest share of cuts in the Conference Agreement: $12.7 billion – or nearly one third - of the total cuts.

5. Imposes Expensive, Unfunded Mandates on States Under the Temporary Assistance to Needy Families (TANF) Block Grant, including separate work requirements for two-parent families that were eliminated in the Administration's TANF proposal as well as earlier House and Senate versions of TANF reauthorization because of their inherent anti-marriage bias.

6. Includes Other Significant Cuts to Programs that Help Low-Income Children, Families and Individuals through reductions in child support enforcement funding and federal foster care aid as well as authorized delays in certain SSI payments.

7. Rejects Sensible Senate Cost-savings Measures. The Conference Committee rejected cost-saving measures passed by the Senate that would have avoided imposing new hardships on Medicaid beneficiaries. The Senate provisions would have generated savings by scaling back some government subsidies to pharmaceutical and managed care companies by:

- Increasing the minimum rebates that drug manufacturers are required to pay to Medicaid and extending the rebates to drugs that are dispensed through Medicaid managed care plans; and
- Eliminating a $10 billion fund to encourage Medicare participation by regional Preferred Provider Organizations. Congress's own official expert advisory panel has found this fund to be unnecessary and unwarranted because PPOs are participating in sufficient numbers.

8. Will Not Become Law Unless It Is Passed Again by the U.S. House of Representatives. After the House approved the Conference Report on December 19, 2005, the Senate took up and approved the bill on December 21st. The Senate vote was 50-50, until Vice President Cheney broke the tie. The version that passed in the Senate, however, was not identical to the House version, and the bill must therefore be voted on again in the House. It is expected that the vote will take place on February 1, 2006.

The first House vote was taken under what is called "Martial Law" that allows voting on a bill without the normally required time for Members to review its contents. Neither Members of Congress, nor the media nor the public had an opportunity to analyze the bill before the first House vote. The second House vote provides an opportunity for Members of Congress to address the many shortcomings of the bill.