

HOUSE BUDGET COMMITTEE

Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Democratic Member

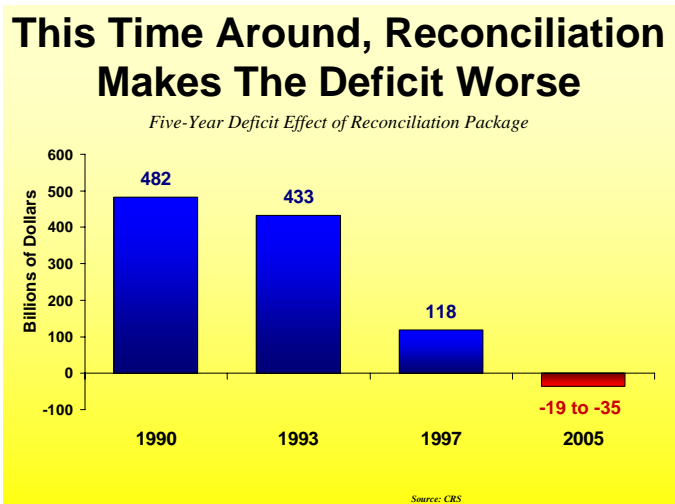
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Includes summary of changes made late last night by Rules Committee

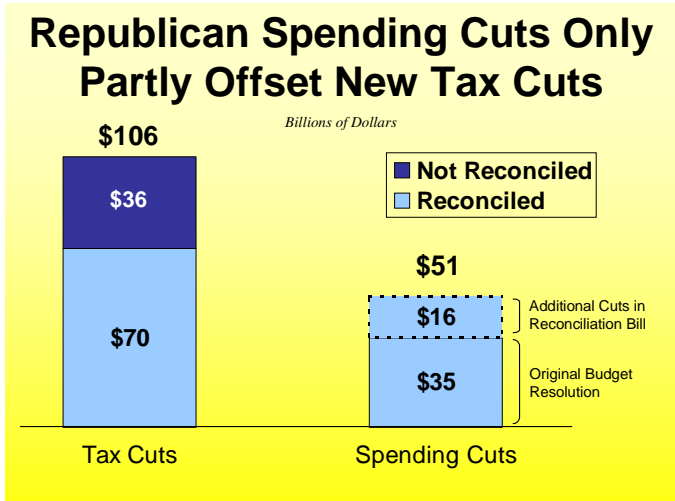
UPDATED November 10, 2005

Top Reasons to Oppose Republican Spending Reconciliation Bill

Republican Budget and Reconciliation Plans Increase Deficit — The Republican reconciliation spending bill – when combined with \$70 billion in reconciliation tax cuts expected soon – will *increase* the deficit by \$19 billion. Simply put, the Republican reconciliation plan is a plan to increase the deficit and increase the national debt. In total, the Republican budget passed this spring was going to make the deficit \$168 billion worse over five years than if Republicans passed no budget at all. Even though their spending reconciliation package is likely to reduce spending by about \$16 billion more than envisioned by the budget resolution, the Republican resolution would still worsen the budget’s bottom line by more than \$100 billion.



Spending Cuts Pay for Tax Cuts, Not Hurricane Costs or Deficit Reduction — Republicans claim that these spending cuts will be used to reduce the deficit or offset the cost of hurricane relief efforts. The reality, however, is that these spending cuts will help finance, in part, the \$106 billion of tax cuts – \$70 billion protected under reconciliation procedures – included in this year’s Republican budget resolution. Indeed, this year’s Republican budget resolution called for reconciled spending cuts long before the hurricanes occurred.



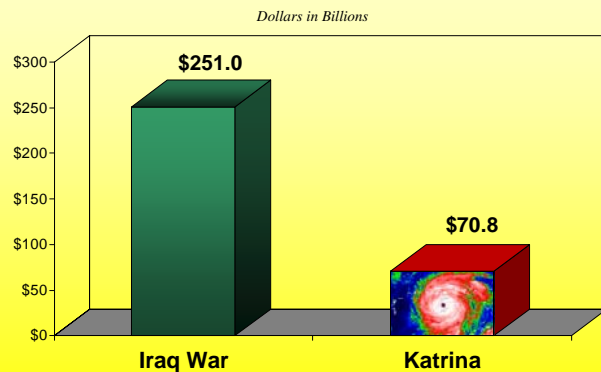
Spending Cuts Threaten Vital Services, Including Services for Hurricane Victims — To help finance more tax cuts, this bill cuts funding for a number of key services, some of which – like food stamps and Medicaid – benefit people who have been affected by the hurricanes. The programs cut include:

- **Medicaid** – \$11.9 billion in cuts, including cuts of \$8.8 billion that fall upon beneficiaries through more cost-sharing, new premiums, and other cuts.
- **Student Loans** – \$14.3 billion in spending cuts to student loan programs over five years, of which more than half (\$7.8 billion) would come directly out of students' pockets through increases in interest rates and fees.
- **Child Support Enforcement** – \$4.9 billion in cuts, which will dramatically cut back the states' capacity to enforce child support orders.
- **Food Stamps and School Lunches** – The original bill included \$844 million in food stamp cuts, which would cause an estimated 300,000 people to lose food stamps and 40,000 children to lose free or reduced-price school meals. The Manager's Amendment makes small changes to these provisions, but leaves in place the bulk of these cuts.

Republican Claims About Offsetting Hurricane Costs Reveal Double Standard

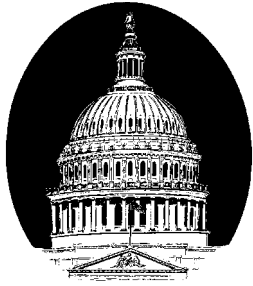
— The Republican claim about offsetting the cost of hurricane relief is inconsistent with the decision in recent years not to offset tax cuts or supplemental funding for Iraq and other purposes. Why does the Republican leadership insist on offsetting the cost of rebuilding Biloxi but not the cost of rebuilding Baghdad?

Republicans Propose Offsets For Katrina, But Not For Iraq War Costs



Latest Developments — Late last night, the Rules Committee approved a rule that self-executes a Manager's Amendment making three changes to the bill reported by the Budget Committee.

- **Strikes ANWR** — First, the Manager's Amendment strikes the provisions allowing drilling in the Arctic National Wildlife Refuge, though these provisions remain in the Senate bill and could be included in a conference report.
- **Strikes OCS** — Second, the Manager's Amendment strikes provisions allowing drilling in the Outer Continental Shelf.
- **Makes Small Change to Food Stamp Cut** — Third, the Manager's Amendment modestly limits the food stamp cuts contained in the underlying bill. The Amendment exempts certain immigrants from the new seven-year waiting period, but will still result in thousands of people losing food stamp benefits.



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House Bill Cuts Health Care

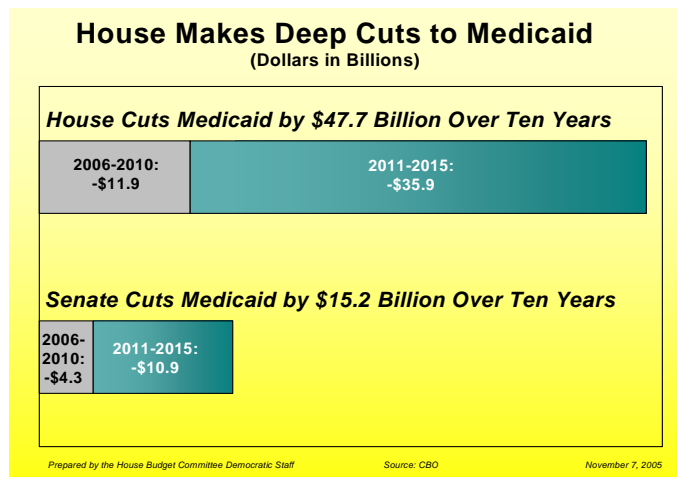
Medicaid Provides Health Coverage to the Most Vulnerable Members of Our Society — Medicaid is a main component of the nation’s health care safety net, providing health coverage for an estimated 58 million low-income individuals in 2006.

- ▶ The program is managed efficiently, with states taking unprecedented steps to hold down costs in recent years;
- ▶ The cost of Medicaid is growing slower than private insurance costs, on a per person basis. The fact is, the issue of rising health care costs is not unique to Medicaid; rising health care costs affect all health insurance, both public and private.
- ▶ The need for a strong health care safety net should be even clearer now that we’ve seen the devastating effects of Hurricanes Katrina and Rita. We should be strengthening the safety net, not unraveling it.

House Bill Makes Deep Cuts to Medicaid — The House bill cuts Medicaid by \$11.9 billion over five years, and by nearly \$50 billion over ten years.

House Medicaid Cuts Are Much Deeper Than Senate — The House cuts Medicaid by \$11.9 billion over five years; more than double the \$4.3 billion in Medicaid cuts recommended by the Senate Finance Committee. Over ten years, the cuts in the House bill are more than triple the Senate, with cuts of \$47.7 billion over ten years, as compared to \$15.2 billion in the Senate.

Medicaid Cuts Hit Beneficiaries Hard — The majority of the cuts to Medicaid will fall directly on beneficiaries. Medicaid beneficiaries will be hit with \$8.8 billion in cuts over five years, and \$35.6 billion in cuts over ten years. This is not rooting out of waste or fraud, as some would like to claim — this money comes from direct cuts to benefits, and increases in cost-sharing.



States Can Reduce Access to Services by Hiking Up Cost-Sharing and Premiums — The bill lets states impose premiums and increase cost-sharing for many categories of beneficiaries and services. States could, for the first time, let providers turn someone away who needs care if the beneficiary cannot afford the co-payment. There is extensive research showing that increasing cost-sharing for low-income people results in a decline in use of health care services and worsening of health status. *In fact, CBO finds that a chunk of the savings comes from reduced use of services caused by higher cost-sharing, and from fewer eligible beneficiaries enrolling because of the premiums.*

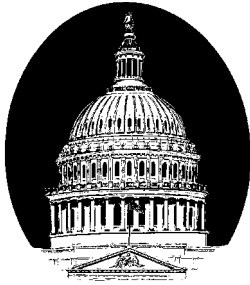
States Can Cut Benefits for Millions of Children — The bill lets states cut benefit packages for certain beneficiaries. In doing so, states can eliminate an entitlement that guarantees children access to preventive services and the care necessary to ameliorate the long-term effects of chronic illness and disability. (This comprehensive coverage is known as “EPSDT” or Early and Periodic Screening, Diagnostic and Treatment service.) This provision could result in elimination of comprehensive health coverage for more than one-fifth of children covered by Medicaid – more than 5 million children overall.

House Bill Tightens Access to Long-Term Care — The bill makes several changes that tighten the rules governing how assets are counted for determining eligibility for long-term care. The bill will force many seniors to sell their house or take out a reverse mortgage in order to qualify for Medicaid. The irony of this provision is striking and worrisome. On the one hand, House Republicans want to protect the estates of the wealthiest Americans, but at the same time, they see no problem with going after the homes of frail low- and middle-income seniors who need long-term care.

Burdensome Reporting Requirements Will Cause Delays in Access to Care — The bill requires that almost all Medicaid applicants provide proof that they are U.S. citizens, despite the fact that neither the HHS Inspector General nor the State Medicaid Administrators think there is a problem with current citizenship verification processes. This provision will slow the application process and delay or deny care to many individuals who are eligible for Medicaid.

National Governor’s Association Does Not Endorse This Bill — The NGA does not endorse this bill. In a statement from the end of October, they stated that “The NGA does not endorse specific bills and this policy applies to the Energy and Commerce component of the reconciliation bill.” While the NGA still stands by the Medicaid proposals they put forth in August, NGA states that “Governors remain concerned, however, about proposals that will do nothing more than shift costs to the states...”

There is Widespread Opposition to Medicaid Cuts — There is widespread opposition to Medicaid cuts from faith-based organizations, health care providers, local governments, law enforcement officials, and national and local consumer and advocacy groups, including AARP, all 66 bishops of the Evangelical Lutheran Church, the American Academy of Pediatrics, and a coalition of 2,500 sheriffs and other law enforcement officials known as Fight Crime: Invest in Kids, just to name a few.



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Republican Reconciliation Bill Cuts Education

Republican Reconciliation Bill Reflects the Wrong Priorities — The House Republican reconciliation bill cuts \$51 billion from vital programs – such as foster care, food stamps, Medicaid, and student loans – so that Republicans can partly offset their reconciliation bill to cut taxes that largely benefit the wealthy. That reconciliation package does not reflect American values and priorities.

Raises the Cost of Student Loans — This reconciliation bill cuts student loans by \$14.3 billion, with the majority of the cuts – \$7.8 billion – coming right out of the pockets of students. The bill raises student fees, imposes new fees, and increases interest costs on student loans. As a result of these higher costs, the typical student borrower could pay up to \$5,800 more for student loans according to estimates by the Committee on Education and the Workforce minority.

Big Increases in Student Loan Costs	
<small>Outlay Cut in Billions of Dollars, 2006-2010</small>	
Interest Rates	
New loans capped at 8.25%	\$0.5
Consolidations at a variable rate or higher fixed rate	\$2.5
Fees	
New 1% fee on consolidation loans	\$2.9
Double origination fees on Direct Loans in 2006	\$0.4
Require a 1% fee on guaranteed loans	\$1.5
Student out-of-pocket expenses	\$7.8

Prepared by the House Budget Committee Democratic Staff 11/4/2005

College Costs Already Rising Steeply — The cost of attending a four-year public college shot up 7.1 percent just this year alone. Students struggling just to cover those costs will now face the added burden of paying more for their federal loans, which already average \$17,500.

Hundreds of Dollars of New Fees — Reconciliation will cost students \$4.8 billion just in new fees over the next five years.

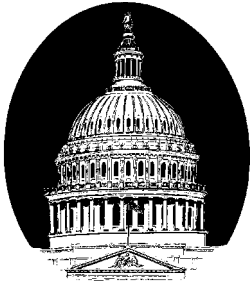
- **Mandates a 1 Percent Insurance Fee on Guaranteed Loans** — If a student borrows the maximum allowable over her college career, just the required 1 percent insurance fee on guaranteed loans will add another \$230 to her debt.

- **Doubles the Direct Loan Origination Fee in 2006** — A senior borrowing the maximum Direct Loan of \$5,500 next year will pay an origination fee of \$165 – an extra \$82 above the fee today.
- **Charges a New 1 Percent Origination Fee on Consolidation Loans** — The typical student who consolidate his loans will pay a new \$175 fee even before making his first monthly payment. He will also pay interest at a rate 1 percent higher than under current law if he wants a fixed-rate loan.

Higher Interest Rates — The bill costs students \$3.0 billion more over the next five years by raising the interest rates on consolidation loans and capping the rate on new loans at 8.25 percent.

Budget Gimmick Jeopardizes Loan Programs — The Republican reconciliation bill eliminates all mandatory spending to administer student loans, which shows a savings of \$2.2 billion. But that savings only occurs if the government actually spends no money on administration, which would jeopardize the continuation of the federal student loan programs. More likely, Congress will have to appropriate the funding, in which case there is no budget savings to the government.

Democrats Want to Help Students — Democrats reject this reconciliation bill, which cuts the federal commitment to students while increasing the deficit by facilitating more tax cuts. The bill makes it harder for students to afford to go to college now, and makes them pay more later due to higher interest on our growing federal debt.



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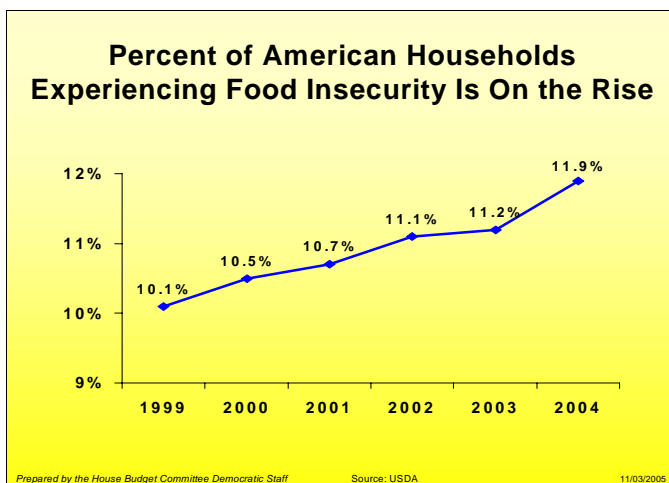
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Republican Reconciliation Bill Hurts Working Families and Victims of Hurricane Katrina

Poverty and Food Insecurity In the United States Are On the Rise, and Hurricane Katrina Made Things Worse — The number of Americans in poverty is rising steadily – from 32 million in 2000 to 37 million in 2004. More than one in six U.S. children live in poverty. Food insecurity in the United States increased in 2004 for the fifth straight year, affecting 38.2 million people, or 11.9 percent of all



households. Children fared even worse – 19 percent of them were food insecure in 2004, meaning their families did not have enough money to provide sufficient food. The combination of stagnant wages and sharply rising costs for essentials such as health care and energy has forced more struggling families to skimp on food in order to pay their bills. This year, Hurricane Katrina left hundreds of thousands of families with no homes and no jobs.

Reconciliation Bill Cuts \$7 Billion from Programs Serving Working Families and

Vulnerable Individuals — Over five years, the House bill cuts child support by \$4.9 billion, cuts food stamps by \$824 million, cuts foster care assistance by \$577 million, and cuts Supplemental Security Income to the elderly and disabled by \$732 million. These cuts are likely to generate more poverty and economic insecurity among families and individuals struggling to get by.

Cutting Child Support Undermines Family Values and Leaves Millions of Children Worse Off —

Each dollar spent on child support programs brings in \$4 in support payments, totaling \$21 billion a year for 16 million families. The bill's \$4.9 billion cut to child support enforcement will reduce the child support paid to single parents by an estimated \$21 billion over ten years, increase these parents' dependence on welfare, and harm efforts to strengthen families by keeping both parents financially and emotionally involved in their children's lives. This cut merely shifts costs to states.

Governors Oppose “Alarming” Child Support Cuts — The National Governors Association described the child support cuts in the reconciliation bill as “alarming” and warned that the cuts threaten the very services provided by states that make the child support program so successful.

Food Stamp Cuts Hurt Low-wage Families and Reduce School Lunch Access — The House bill cuts about 300,000 people off food stamps. These cuts are likely to increase the number of low-wage working parents and children experiencing food insecurity. A side effect of the food stamp cut is that 40,000 children will lose free or reduced-price school meals as a result of being cut off of food stamps. The last-minute amendment to the bill does not alter these effects and represents only a minor tweaking.

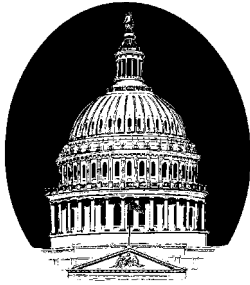
Cutting Food Assistance to Pay for Tax Cuts Reflects Misplaced Priorities — Religious leaders from a variety of faith traditions express grave concerns about the misguided values embodied in a budget that cuts food stamps and other vital services for working families while providing more tax cuts targeted largely to the most fortunate — especially after Hurricane Katrina laid bare the deep poverty that continues to exist in the United States.

- The National Council of Churches described the total reconciliation package as “a moral disaster of monumental proportion.”
- A group of 40 faith leaders, urging that food stamps be protected from cuts, stated: “budget constraints do not release us from our obligation to care for poor and vulnerable people. It would be a moral failure to take those cuts from the Food Stamp Program.”
- The National Advocacy Center of the Sisters of the Good Shepherd stated recently what faith-based charities operating on the front lines of American poverty and need have long known: an outpouring of charity “cannot substitute for the critical role of government in providing for the general welfare.”

Republicans Fail to Protect Working Families from Skyrocketing Home Energy Costs — Republicans voted in committee against Democratic measures to fully fund the Low-Income Home Energy Assistance Program for 2006. Full funding of \$5.1 billion would protect millions of low-wage families from the expected sharp increase in home heating costs this winter. The bill includes only a \$1 billion increase in LIHEAP – still \$2.1 billion short of full funding.

Bill Cuts Funding for Foster Care — The bill cuts \$577 million by limiting certain federal foster care payments. This cut merely shifts costs to states. Unless states are able to devote new resources to foster care, they will be forced to cut services and increase caseloads in a system that in many states is already overburdened and underfunded.

Supplemental Security Income (SSI) — The Committee bill cuts \$732 million by delaying payment of retroactive SSI benefits and subjecting new SSI disability awards to an extra layer of review. About 750,000 individuals per year become eligible for SSI. Many are entitled to retroactive benefits resulting from the lengthy nature of the disability determination process. Initial determinations take three months, on average. The appeals process for denied claims often takes more than a year.



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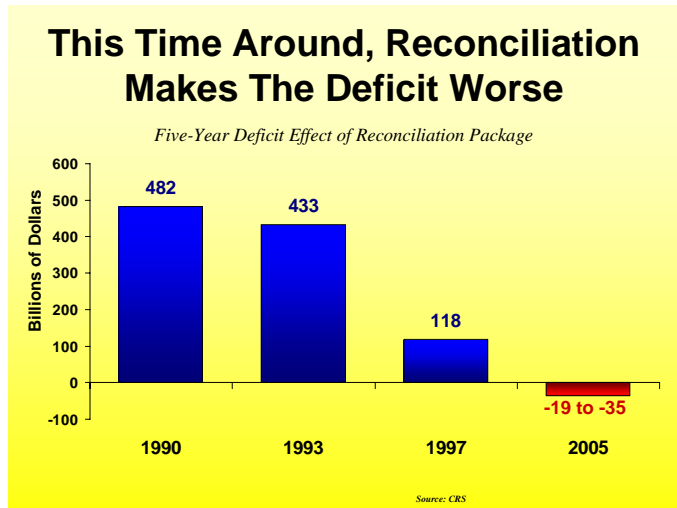
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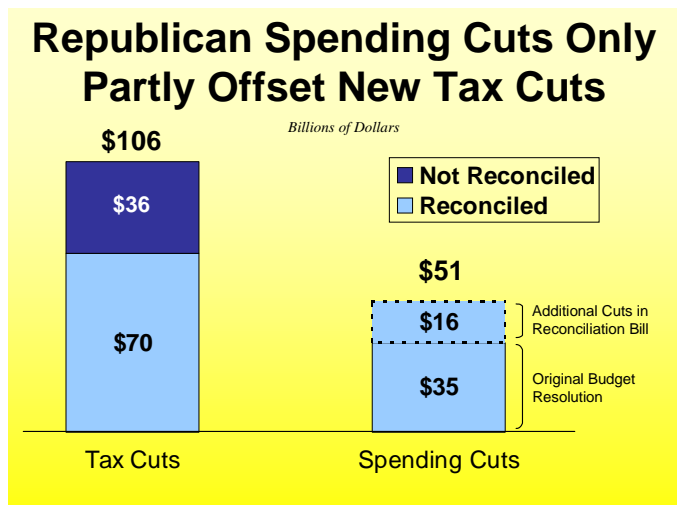
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The Reconciliation Bill? No Thanks. Fiscal Irresponsibility in the Republican Reconciliation Measure

Turkey of a Reconciliation Bill Makes Deficit Worse, Not Better — Republicans claim that the \$50.5 billion in savings contained in the bill will go to reduce the deficit or help offset the costs of responding to recent hurricanes. However, because the budget resolution also protects \$70 billion in tax cuts under reconciliation procedures, the total reconciliation process makes the deficit worse by \$19 billion. If the \$35 billion savings level called for in the budget resolution and passed by the Senate is followed, the reconciliation package makes the deficit \$35 billion worse in total.



Tax Cut Gobbles Any Savings — While \$70 billion in tax cuts are protected by reconciliation, the budget resolution passed in March calls for a total of \$106 billion in tax cuts, \$7 billion of which have already been enacted. House and Senate tax reconciliation is expected soon.



Total Republican Budget Resolution “Fowls” Deficit by More Than \$100 Billion — When combined with the other spending called for in the Republican budget, such as an additional \$50 billion for ongoing military operations and the President’s levels for appropriations, the total Republican budget blueprint makes the deficit \$100 billion worse than if Congress took no action at all.

“Wattle” Increase the Debt Limit?

Republican Budgeting. — This spending cut bill is only the first part of reconciliation action. The second piece is a tax measure, but the often-overlooked third component of reconciliation is an increase in the debt limit of \$781 billion. When the Bush Administration took office, it inherited a ten-year surplus of \$5.6 trillion. Under Republican leadership, that ten-year figure has deteriorated to a deficit of \$3.5 trillion, a swing of \$9.1 trillion in the wrong direction. As a result of Republican fiscal mismanagement, the debt limit has already been raised three times since 2002, and the fourth increase called for by the Republican budget would put the total debt limit increase at more than \$3 trillion.

Republicans Increase the Debt Limit by **\$3 Trillion**

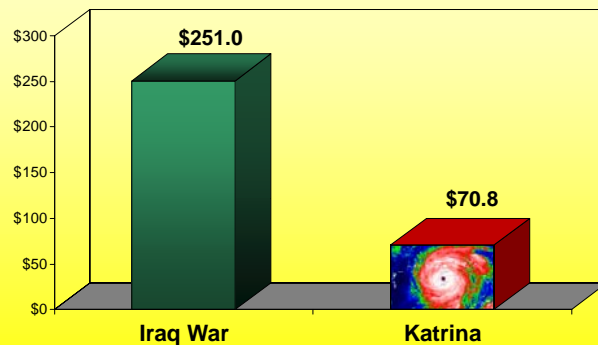
Debt Limit Increases, Billions of Dollars

June 2002	\$450
May 2003	\$984
November 2004	\$800
FY2006 Budget Resolution	\$781
Total Increases	\$3,015

Claim that Bill Is Offset For Katrina Won't Fly — After the tax cuts, there is no savings left to reduce the deficit or help pay for Hurricanes Katrina and Rita. Worse still, the provisions of this reconciliation bill cut services that benefit the very people who have been uprooted and displaced. Democrats are surprised by the new zeal to offset spending. Since 2003, we've had three huge supplementals for the cost of the war and reconstruction in Iraq come to us from the President. Republicans have enacted five large tax cuts, making no attempt to offset the costs. In multiple instances, Republicans rejected Democratic attempts to find ways to pay for these items.

Republicans Propose Offsets For Katrina, But Not For Iraq War Costs

Dollars in Billions



Stuffed with Gimmicks — Many of the savings measures in the reconciliation bill technically qualify as savings, but should be regarded with skepticism. Some savings are already dedicated to other things, such as the premium increases for the Pension Benefit Guaranty Corporation. Other costs are shifted to states – such as the changes to child support and foster care, as well as some Medicaid provisions – and some costs are simply shifted to the appropriated side of the ledger, like student loan administration and FHA special authorities. The reconciliation bill uses one-time savers, like the spectrum auction, to offset the long-term costs of tax cuts, creating not just large deficits, but structural deficits that are difficult to reverse. Finally, in the biggest gimmick of all, the bill is characterized as deficit reduction, when reconciliation actually makes the deficit worse.

Democrats Offered a Solution — Congressman Tom Allen went to the Rules Committee to ask that an amendment to reinstate the pay-as-you-go (PAYGO) rule be made in order. PAYGO helped bring the budget into balance in the 1990s, but Republicans let the provision expire in 2002. Adopting PAYGO now would require the coming tax bill to be fully offset, meaning reconciliation would improve the deficit, instead of making it worse. Republicans refused to allow the amendment to come to a vote.