

# HOUSE BUDGET COMMITTEE

## Democratic Caucus

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

B-71 Cannon HOB ■ Washington, DC 20515 ■ 202-226-7200 ■ [www.house.gov/budget\\_democrats](http://www.house.gov/budget_democrats)

**Includes summary of changes made early this morning by Rules Committee – see next page**

UPDATED November 17, 2005

## Top Reasons to Oppose Republican Spending Reconciliation Bill

### *Republican Reconciliation Plans Increase Deficit*

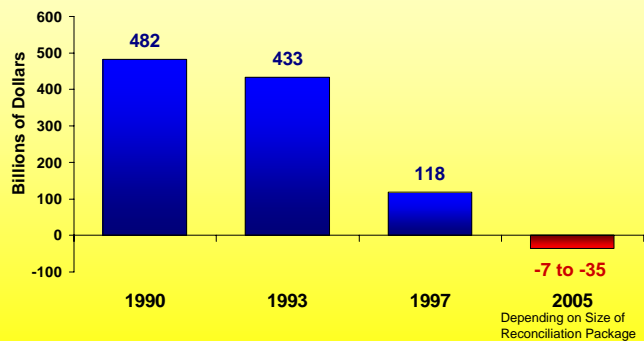
— The Republican reconciliation spending plan – when combined with the reconciliation tax cuts currently moving through the Congress – will *increase* the deficit by billions of dollars. The estimated \$57 billion cost of the reconciliation tax bill reported this week by the Ways and Means Committee exceeds the estimated \$50 billion savings in the amended spending bill by about \$7 billion. By the time the process is completed, the Republican reconciliation plans could add as much as \$35 billion to the deficit, because the budget resolution allows for reconciled tax cuts of up to \$70 billion and reconciled spending cuts of as low as \$35 billion. Whatever the final size of these bills, today’s legislation implements one step of a budget plan that increases the deficit and the national debt – contrary to Republican attempts to portray today’s spending reconciliation bill as reducing the deficit.

### *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 included in this year’s Republican budget resolution. Indeed, this

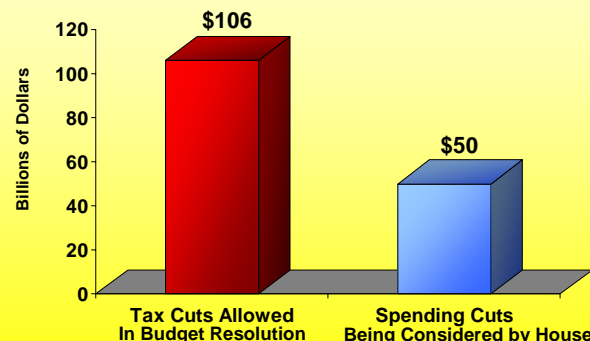
### This Time Around, Reconciliation Makes The Deficit Worse

*Five-Year Deficit Effect of Reconciliation Package*



Source: CRS and HBC Dems

### Republican Spending Cuts Only Partly Offset New Tax Cuts



Prepared by the House Budget Committee Democratic Staff

11/17/2005

year's Republican budget resolution called for reconciled spending cuts long before the hurricanes occurred.

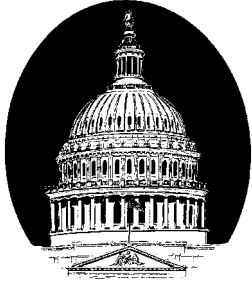
***Spending Cuts Threaten Vital Services, Including Services for Hurricane Victims*** — To help finance more tax cuts, this bill cuts funding for a number of key services, some of which – like food stamps and Medicaid – benefit people who have been affected by the hurricanes. The programs cut include:

- **Medicaid** – Originally included cuts of \$11.9 billion, now reduced to \$11.4 billion to reflect the Manager's Amendment. The vast majority of cuts will fall upon beneficiaries via more cost-sharing, new premiums, and other changes.
- **Student Loans** – \$14.3 billion in spending cuts to student loan programs over five years. That includes \$7.8 billion that 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** – The bill, as amended, cuts food stamps by \$796 million, which would cause an estimated 295,000 people to lose food stamps.

***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?

***Latest Developments*** — Floor consideration of this bill is expected later today. Early this morning, the Rules Committee approved a rule that self-executes a Manager's Amendment making several changes to the bill reported by the Budget Committee.

- **Strikes ANWR and OCS** — 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. The Manager's Amendment also strikes provisions allowing drilling in the Outer Continental Shelf.
- **Revises Medicaid Changes** — The Manager's Amendment retains the current law co-pay of \$3 for certain individuals below poverty (rather than raising to \$5,) but allows the co-pay to increase by medical inflation. Many other Medicaid beneficiaries will still see much larger increases in their co-pays. The Amendment also raises the limit on home equity to \$750,000 for long-term care eligibility, requires a GAO report on pharmacy reimbursement, and expands the use of the new Medicaid Transformation Grants.
- **Modifies Food Stamp and School Lunch Provisions** — 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. The Manager's Amendment also modifies the original bill so that children losing food stamps can remain eligible for free school meals if their families qualify for TANF non-cash services.



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### House Reconciliation 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.

***House Bill Makes Deep Cuts to Medicaid*** — The House bill included cuts of \$11.9 billion over five years. The Manager's Amendment very slightly reduced the cuts to \$11.4 billion.

***House Medicaid Cuts Are Much Deeper Than Senate*** — The House cuts Medicaid by \$11.4 billion over five years; more than double the \$4.3 billion in Medicaid cuts approved by the Senate. Over ten years, the cuts in the House bill are triple the Senate, with cuts of over \$46 billion, as compared to \$15.2 billion in the Senate.

***Medicaid Cuts Hit Beneficiaries Hard*** — CBO reports that upwards of 75 percent of the cuts – over \$8 billion – will fall directly on beneficiaries. This is not rooting out waste or fraud, as some would like to claim — this money comes from direct cuts to benefits, and higher co-pays and premiums that increase out-of-pocket costs.

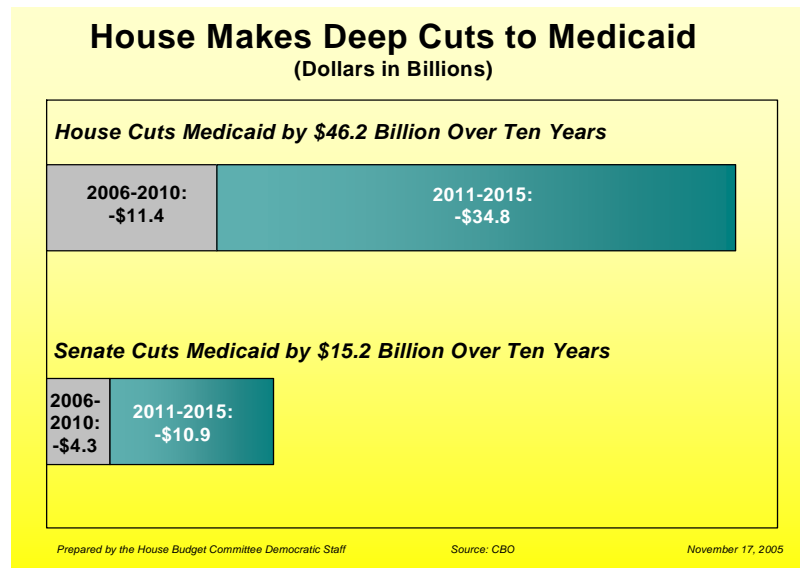
***Latest Developments*** — Late last night, the Rules Committee approved a rule that executes a Manager's Amendment making the following Medicaid changes.

- Retains the limit in current law of \$3 for co-payments for beneficiaries below the poverty line, but lets states index the co-payments to medical inflation. *Other low-income beneficiaries could still see steep increases in cost-sharing and new premiums.*
- The original bill imposed a limit on home equity of \$500,000 for long-term care eligibility; this change raises the home equity limit to \$750,000.
- Requires a GAO report on the new pharmacy reimbursement policy and lets the HHS Secretary delay implementation if warranted.
- Expands use of the new Medicaid Transformation Grants.

***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 approximately 6 million children.



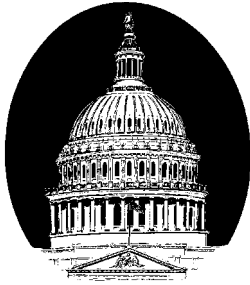
**House Bill Tightens Access to Long-Term Care**

— The bill makes several changes that tighten the rules governing how assets are counted for determining eligibility for long-term care. The bill could end up penalizing seniors who made charitable donation or small gifts long before they ever needed 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 \$50 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. That includes \$7.8 billion in gross cuts 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.

<b>Big Increases in Student Loan Costs</b>	
<small>Gross Outlay Cut in Billions of Dollars, 2006-2010</small>	
<b>Interest Rates</b>	
New loans capped at 8.25%	\$0.5
Consolidations at a variable rate or higher fixed rate	\$2.5
<b>Fees</b>	
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
<b>Student out-of-pocket expenses</b>	<b>\$7.8</b>

**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.

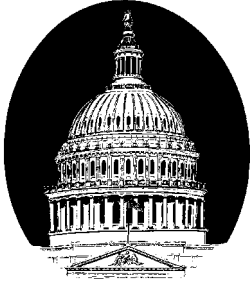
- **Mandates a 1 Percent Insurance Fee on Guaranteed Loans** — If a student borrows the maximum allowable over her college career, just the required 1 percent insurance fee on guaranteed loans will add another \$230 to her debt.
- **Doubles the Direct Loan Origination Fee in 2006** — A senior borrowing 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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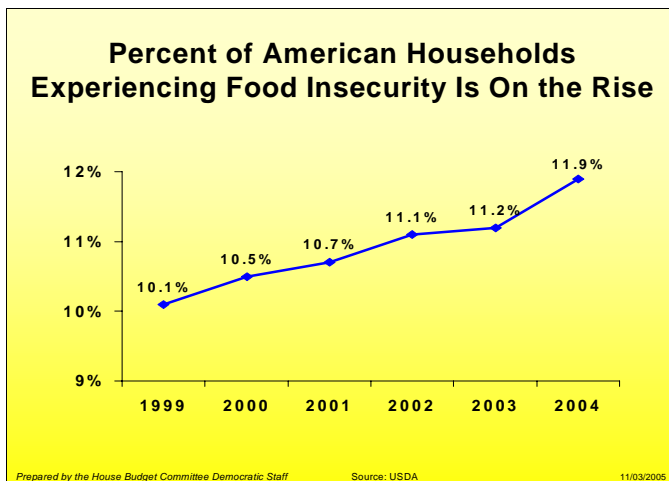
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### Republican Reconciliation Bill Hurts Working Families and Victims of Hurricane Katrina

**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 \$796 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*** — The House bill cuts 295,000 people off food stamps by ending automatic eligibility for families receiving TANF non-cash services and by increasing the waiting period for legal immigrants from five to seven years. These cuts are likely to increase the number of low-wage working parents and children experiencing food insecurity. The Manager’s Amendment modifies the original bill so that children losing food stamps can remain eligible for free school meals if their families qualify for TANF non-cash services. (The original bill would have caused 40,000 children to lose free school meals as a result of being cut off of food stamps.) The Manager’s Amendment also makes a minor tweak to the immigrant provision, but the substance of the policy remains the same.

***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.

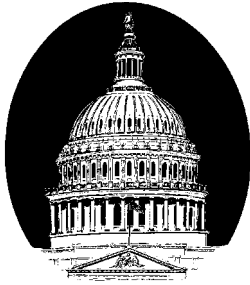
- The National Council of Churches described the total reconciliation package as “a moral disaster of monumental proportion.”
- A group of 40 faith leaders, urging that food stamps be protected from cuts, stated: “budget constraints do not release us from our obligation to care for poor and vulnerable 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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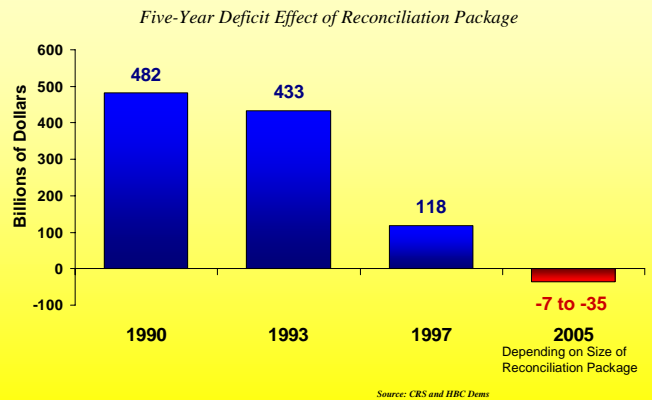
### The Reconciliation Bill? No Thanks. Fiscal Irresponsibility in the Republican Reconciliation Measure

**Turkey of a Reconciliation Bill Makes Deficit Worse, Not Better** — Republicans claim that the \$50 billion in savings contained in the bill will reduce the deficit or help offset the costs of responding to recent hurricanes. However, the final reconciliation package could make the deficit up to \$35 billion worse because the budget resolution call for reconciled tax cuts of up to \$70 billion and reconciled spending cuts of \$35 billion.

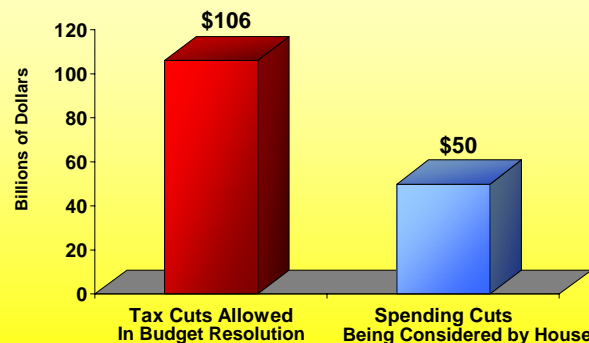
**Tax Cut Gobbles Any Savings** — While \$70 billion in tax cuts are protected by reconciliation, the budget resolution passed in March calls for a total of \$106 billion in tax cuts, \$7 billion of which have already been enacted. While the Ways and Means Committee reported a reconciliation tax bill costing \$57 billion, and the Senate is currently considering a bill costing just under \$60 billion, the conference report on the tax bill could be larger still. Even if the final tax package is held to the lower House level, reconciliation will still make the deficit worse by at least \$7 billion.

**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 about \$100 billion worse than if Congress took no action at all.

### This Time Around, Reconciliation Makes The Deficit Worse



### Republican Spending Cuts Only Partly Offset New Tax Cuts



### **“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**

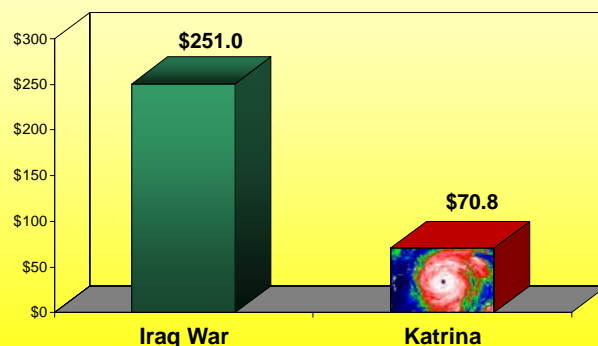
*Debt Limit Increases, Billions of Dollars*

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

**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.

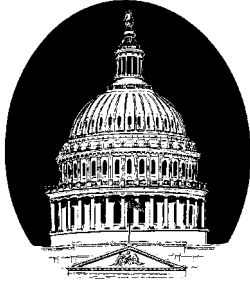
## Republicans Propose Offsets For Katrina, But Not For Iraq War Costs

*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 be made in order to reinstate the pay-as-you-go (PAYGO) rule. 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.



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### Environmental Provisions in the Republican Reconciliation Bill

**Arctic National Wildlife Refuge** — The Rules Committee approved a Manager’s Amendment that strikes provisions opening both the Arctic National Wildlife Refuge coastal plain and the Outer Continental Shelf leasing moratoria areas to oil and gas exploration. However, there is no guarantee that the ANWR provisions will not be added back in conference. The Senate-passed reconciliation bill includes drilling in the Arctic but not OCS.

**Mining Law** — The reconciliation bill changes mining law, raising \$158 million over five years.

- **Repeals Current Moratorium on Patents** — The bill repeals the ban on mining patents and allows mining companies and individuals to acquire federal land for \$1,000 per acre, which is an increase over established levels but often fails to reflect fair market value.
- **Right to Mine** — The reconciliation bill gives companies the right to mine regardless of whether there is a valuable mineral deposit within the claim, exposing millions of acres of federal land to potential purchase and commercial development.
- **No New Fees** — The Republican bill prohibits the government from levying any additional royalties or fees on mining operations. Oil, gas, and coal companies all currently pay a royalty when on federal lands, but mining operations do not.

**Overrides Energy Bill to Fast-Track Production of Oil Shale** — The bill overrides a number of provisions in the recently enacted energy bill regarding development of oil shale. These changes include eliminating required consultation with relevant state and local governments before proceeding with large-scale oil shale leasing, leasing large amounts of federal oil shale within a one-year period, and capping oil shale royalty rates at 3 percent for 10 years instead of using the energy bill’s instructions to set royalty rates that “ensure a fair return to the taxpayer.” Finally, it prevents any Environmental Impact Statement from being challenged.

**Other Environmental Provisions** — The Republican reconciliation bill sells public land in Nevada and Idaho to mining companies. It also sells land in the District of Columbia, despite a bipartisan agreement reached among members of the House, the Senate, and the Administration to convey these parcels directly to the District. These provisions will raise \$128 million over five years.