

LACK OF SHARED SACRIFICE IN HOUSE BUDGET BILLS

The bills recently adopted by House committees as part of the fast-track “reconciliation” budget process would reduce spending in a wide range of mandatory (or “entitlement”) programs. Though defended as necessary to reduce the deficit and offset hurricane-related costs, the cuts actually would be used to help pay for new tax cuts Congress intends to pass under reconciliation. Moreover, the House cuts do not reflect an approach of shared sacrifice:

- **Low-income households would bear a large share of the burden.** *Food stamp* cuts would eliminate benefits for roughly 300,000 people, most of them in working families. *Medicaid* cuts would reduce health care benefits and increase health care costs for roughly 6 million children, as well as many low-income parents, the elderly, and people with disabilities. A large cut in *child support enforcement* would mean that \$24 billion in child support payments would go uncollected over the next decade. A change in *Supplemental Security Income* rules would delay payment of back benefits to many poor elderly people and poor people with disabilities. Underfunding of *child care assistance* would cause a drop of 330,000 in the number of children in low-income working families receiving assistance. And federal *foster care assistance* would be eliminated for many children living with grandparents or other relatives.
- **The House shied away from other cuts that represent sound policy but are opposed by powerful lobbying interests.** MedPAC, Congress’s official advisory body on Medicare, has identified tens of billions of dollars in overpayments by Medicare to managed care plans. Yet the House — unlike the Senate, which is preparing its own reconciliation bills — did not seek any savings in this area. Similarly, the House did much less than the Senate to reduce the amount Medicaid pays pharmaceutical companies for prescription drugs.

In addition, neither the House nor the Senate chose to defer two costly high-income tax cuts set to phase in next January. Nor did they scale back any of the other tax cuts enacted since 2001 that have provided large benefits to higher-income taxpayers. Households earning more than \$1 million a year are receiving an average of \$103,000 in tax benefits this year from the 2001 and 2003 tax cuts.

- **Many high-income households would actually gain resources.** Rather than contributing their fair share to reducing the deficit or offsetting hurricane-related costs, many high-income households will receive even more resources as a result of the reconciliation process. This is because the House and Senate plan to consider \$70 billion in new tax cuts under reconciliation, and a large portion of the benefits of these tax cuts would flow to upper-income households and businesses. For example, more than half of the benefits of extending capital gains and dividend tax cuts would go to millionaire households.

The House’s budget priorities are especially skewed in light of recent economic trends. Poverty, income inequality, food insecurity, and health coverage have all worsened in recent years. The House approach would exacerbate these trends.
