

COMPARING THE HOUSE AND SENATE BUDGETS

By Robert Greenstein and Richard Kogan

The Senate and House budgets now in conference each would increase deficits by nearly \$2 trillion through 2013, with the House budget adding \$1.9 trillion to deficits and the Senate budget adding \$1.7 trillion. But the two budgets nevertheless differ in important ways.

Tax Cuts

- While both budgets contain large tax cuts — strikingly large, in fact, in view of the grim long-term fiscal picture the nation faces — the House budget contains about \$500 billion more in tax cuts over the 2003-2013 period than the Senate budget does.
- The House budget contains a total of \$1.4 trillion in tax cuts. The Senate budget contains a total of \$852 billion to \$940 billion in tax cuts, depending on whether one considers the \$88 billion the Senate budget allots for measures to extend health insurance coverage as being a tax cut or a spending increase. (Under the Senate budget, these funds could be used *either* for health insurance-related tax cuts, as the Administration has proposed, or for expansions in health insurance programs.)
- The House provides \$726 billion for the President's tax-cut "growth" package. The Senate provides \$350 billion for a scaled back version of such a package. The Senate and House place these amounts in a special category, called "reconciliation," that allows Congress to consider this tax cut on a fast track.

Entitlement Cuts

- The House budget contains deep cuts in entitlement programs, especially for the nation's poorest and most vulnerable families and individuals. The House budget requires various Congressional committees to pass legislation cutting entitlement programs by \$265 billion over ten years.
- If the House entitlement cuts are made proportionately (as House Budget Committee chair Jim Nussle has said the budget assumes), \$165 billion of these cuts — or 62 percent of them — would come from programs for families, children, and elderly and disabled people with low incomes. The affected low-income programs include Medicaid, the State Children's Health Insurance Program, Supplemental Security Insurance benefits for the elderly and disabled poor, food stamps, child care, school lunches, foster care and adoption assistance services, and the Earned Income Tax Credit. The table on page 3 shows how

Comparison of House and Senate Budgets (in billions of dollars, cumulative total 2003-2013)		
	Senate	House
Tax cuts (not counting health insurance)	852	1,400
Health Insurance initiatives	88	—
Required entitlement cuts	—	-265
Defense increases ¹	126	211
Foreign affairs increases	41	33
Domestic discretionary cuts	-144	-244
Prescription drug benefit	400	400
Other mandatory spending	15	19
Increased interest costs	347	361
Total cost and impact on deficits and the debt	1,725	1,915

large the cuts will be in various entitlement programs if the entitlement cuts are made proportionally. (A related analysis, “The Human Costs of Cuts in Major Low-Income Programs Contained in the House Budget Resolution” spells out in more detail some of the impacts these reductions could have. See <http://www.cbpp.3-27-03wel.htm>.)

Hefty cuts also would be made in veterans benefits and in programs such as student loans and farms programs.

- About half of the entitlement cuts would come from programs that operate as grants-in-aid to states, such as child care and Medicaid. The cuts consequently would exacerbate state budget crises. Furthermore, many of these cuts would come in program areas in which states already are being forced to institute deep cuts to address their budget crises; the cuts in these programs at the federal level would come on top of these state-level cuts.
- The Senate budget and the President’s budget do not contain any of these cuts.

Cuts in Domestic Discretionary Programs

- Both the Senate and House budgets contain cuts in domestic discretionary (or non-entitlement) programs, but the House cuts are much deeper than the Senate’s. The Senate cuts \$144 billion from domestic discretionary programs over ten years, relative to the Congressional Budget Office baseline (which equals the fiscal year 2003 levels for these programs, adjusted for inflation). The House budget cuts a whopping \$244 billion from these programs, \$100 billion more.

¹ The difference in defense spending between the House and Senate concerns costs *outside* of the war and subsequent reconstruction in Iraq. Neither the Senate nor the House reflects any costs of that war in its budget plans (shown above). Congress will surely appropriate supplemental funds for the war as needed, and the Senate plan contains a procedure that will facilitate enactment of the extra funding. The House does not need such a procedure as long as the House Rules Committee and a majority of the House support additional funding.

Cuts in Various Entitlement Programs Reflected in House Budget²	
Program	Reductions, 2004-2013, in billions of dollars
Medicaid	\$92
Supplemental Security Income	18.5
Veterans benefits	14
Earned Income Tax Credit	14
Food Stamps	12.5
Temporary Assistance for Needy Families	8
Farm programs	7
School lunch and child nutrition programs	6
Foster care and adoption assistance	4
Child support enforcement	3
State Children's Health Insurance Program (SCHIP)	2
Child Care grants to states	1

- The difference between the House and Senate budgets is especially sharp with regard to funding for domestic discretionary programs — the part of the budget that includes homeland security, among other areas — in fiscal year 2004. The Senate budget includes a small reduction of \$200 million in overall funding for domestic discretionary programs in fiscal year 2004. (In other words, the Senate budget allots \$200 million less than the amount appropriated for these programs in fiscal year 2003, adjusted for inflation.) This itself is a restrained funding level, given the continued needs in the homeland security area, the underfunding of the education reforms in the “No Child Left Behind” Act, and the severe budget crises that states are facing. Approximately two-fifths of domestic discretionary funding consists of grants-in-aid to state and local governments.

The House budget cuts \$15.4 billion from domestic discretionary programs in fiscal year 2004. At this level, Congress would likely need to cut hundreds of discretionary programs this fall and may fail to meet homeland security needs fully. In so doing, Congress also would make state and local budget crises more severe.

Paying for the Dividend Tax Cut With Deep Budget Cuts

- Overall, the House budget contains \$365 billion more in domestic budget cuts than the Senate budget does.
- This is close to the cost of the dividend tax cut, which is \$396 billion through 2013.
- The House budget would cut taxes a total of about \$500 billion more than the Senate, with most of this difference represented by the dividend tax cut, which is

² Assumes entitlement cuts in House budget are made proportionally, which is what House Budget Committee chairman Jim Nussle has said the budget assumes.

heavily tilted toward people with quite high incomes. The House budget would essentially finance large additional tax cuts for high-income people primarily through deep domestic budget cuts that would heavily affect the poorest and most vulnerable Americans — including low-income children, working families, and elderly and disabled people — as well as state and local governments.

Fiscal Discipline

Neither budget advances the cause of fiscal discipline, since both would result in substantially larger deficits and increased debt. The large budget cuts in the House plan and the smaller-but-still-substantial domestic discretionary spending reductions in the Senate plan would do little to provide fiscal discipline since their fiscal effects would be overwhelmed by the tax cuts.

Nevertheless, one difference between the two budgets in the area of fiscal discipline bears noting. The Senate budget contains an important fiscal discipline measure.

- The Senate budget include an amendment offered by Senators Russell Feingold and Lincoln Chafee that would reinstate what is known as the “Pay-As-You-Go Rule” and apply it to all tax cuts and entitlement increases outside of the \$350 billion allotted for an immediate package of tax cuts and possibly other measures..
- This means that the cost of any tax cuts or entitlement increases, beyond those that may be contained in the \$350 billion package, would have to be offset dollar for dollar through accompanying tax increases or entitlement cuts. Legislation violating this rule would need 60 votes to pass on the Senate floor.
- The potential importance of this amendment can be seen in one set of numbers. If the Feingold-Chafee amendment succeeded in preventing enactment of any tax cuts or entitlement increases that were not “paid for,” outside of the measures in an initial \$350 billion package, the overall effect of the Senate budget would be to increase deficits by less than \$600 billion over ten years, rather than by the \$1.7 trillion noted above.

The budget brought to the Senate floor by Senate Budget Committee chairman Don Nickles also contained a reinstatement of the “Pay-As-You-Go Rule,” but in a form that largely made a mockery of the rule.

- The Committee proposal would have exempted from the rule *all* tax cuts and spending measures contained in the budget.
- The rule thus would begin to apply only after about \$2 trillion had been added to deficits and the national debt.

There is significant risk that the conference committee will attempt quietly to return the “Pay-As-You-Go Rule” to the toothless form in which it emerged from the Budget Committee.