
Note: We have updated this statement to reflect further information.

Statement by Robert Greenstein, President, On Senate Budget Chairman's Plan

While Senate Budget Committee Chairman Mike Enzi's new budget plan differs in some significant ways with House Budget Committee Chairman Tom Price's plan, particularly defense funding levels, the similarities greatly outweigh the differences. Like Chairman Price's plan, the Enzi plan would increase poverty, decrease key investments to promote opportunity and foster economic growth, and rely on enormous "magic asterisks" to balance the budget. It would:

- Balance the budget in ten years through massive cuts in domestic programs, with no revenue contribution;
- Hit programs for low- and moderate-income Americans exceptionally hard, with about two-thirds of its budget cuts likely coming from programs for the less fortunate, thereby exacerbating poverty and inequality;
- Repeal health reform and cut Medicaid deeply on top of that, likely causing tens of millions of people to become uninsured or underinsured;
- Essentially balance the budget only on paper, with the help of two huge "magic asterisks" that are as large as Chairman Price's — about *\$1.2 trillion* in entitlement cuts over ten years that are left essentially unspecified, and about *\$1 trillion* from the repeal of health reform's revenue-raising measures without any identified replacement (as explained below);
- Cut funding *below* the already-damaging sequestration levels in the years after 2016 for non-defense discretionary programs — the part of the budget that funds education, job training, early intervention programs for children, basic scientific and medical research, and transportation, all of which are important to increasing opportunity, raising productivity, and boosting long-term economic growth;
- Shrink federal spending to stunningly low levels, measured as a share of gross domestic product (GDP), that are unprecedented in modern America and far below the levels in recent decades, including the Reagan years; and

- Eliminate a 2007 Senate rule that creates a point of order against budget reconciliation bills that increase deficits over the coming ten years, such as the 2001 and 2003 reconciliation bills that included huge tax cuts without any measures to offset the costs.

Let's take a closer look:

Architecture of the Budget

The budget contains about \$4.5 trillion in budget cuts over the next decade from programs outside defense (not counting savings in interest payments on the debt), with the cuts coming predominantly from programs that serve low- and middle-income households. At the same time, it seeks no deficit-reduction at all from tax expenditures — the more than \$1 trillion a year in deductions, exclusions, credits, and other preferences that former Federal Reserve Chairman Alan Greenspan has called “tax entitlements” and former Reagan economic adviser Martin Feldstein has said are the best target for cutting wasteful government spending. Tax expenditures tilt heavily toward the affluent, with two-thirds of their benefits going to the top fifth of households.

Cuts in Health Care Programs

The budget repeals health reform, under which 16.4 million uninsured people have gained coverage so far, and converts Medicaid to a block grant while cutting it by roughly another \$400 billion over the next decade. Together, that would add tens of millions of people to the ranks of the uninsured and the underinsured.

The budget also includes \$435 billion in Medicare savings (none of it specified). Although the Senate Republicans say that's the same amount of cuts as in President Obama's 2016 budget, that's not correct. Although the President's budget proposes some \$400 billion in *gross* Medicare savings, the President would use a substantial part of those savings to pay for fixing Medicare's flawed sustainable growth rate (SGR) physician payment formula. Thus, the *net* Medicare cuts in the President's budget are substantially smaller than those in the Enzi plan.

Programs for People With Modest Incomes

While eliminating subsidies to help people with modest incomes afford health coverage in health reform's marketplaces, repealing health reform's Medicaid expansion, and cutting Medicaid by roughly \$400 billion on top of that, the Enzi plan also contains even *larger* cuts than the Price plan in entitlement programs in the budget's “income security” category (Function 600). That category includes SNAP (formerly known as food stamps), school lunch and other child nutrition programs, Supplemental Security Income for the elderly and disabled poor, the Earned Income Tax Credit and low-income part of the Child Tax Credit, and unemployment insurance, as well as federal retirement programs. The Enzi plan cuts this category by \$660 billion over ten years, meaning large cuts in many programs for people in need. (The budget provides *no* information on which programs would be cut or by how much.) The plan also contains major cuts in Pell Grants, which help children from low- or modest-income families afford college.

While we need more information to calculate precisely, we estimate at this point that roughly two-thirds of the about \$4.5 trillion in non-defense program cuts would come from programs for families and

individuals of modest incomes. (Where the Enzi plan does not specify cuts in particular programs, we applied the same percentage cut to each program in a budget category, like Function 600, that the plan applies to that category as a whole.)

Two \$1 Trillion Magic Asterisks

The Price plan left a stunning \$1.1 trillion in cuts in mandatory (i.e., entitlements) cuts unspecified. The Enzi plan is similar, leaving about \$1.2 trillion in such cuts unspecified. (This includes the \$660 billion in unspecified cuts in Function 600, as noted above.)

In addition, while repealing the health reform law, both the Enzi and Price plans assume the same amount of total federal revenues each year as if health reform — with its roughly \$1 trillion over ten years in revenue increases — remained in effect. Senate Republican aides reportedly explained that the Senate could enact revenue measures to replace the lost health reform revenues, but the Enzi and Price plans identify no such measures and include no directives to Congressional tax-writing committees to produce them.

Non-Defense Discretionary Programs

The Enzi plan maintains full sequestration in 2016, and it then cuts funding for non-defense discretionary programs at least \$236 billion below the sequestration levels through 2025. (As a result of certain changes in Senate rules under the Enzi plan, the actual cut would likely be tens of billions of dollars larger.) Under sequestration, non-defense discretionary spending will already fall in 2016 into a tie for its lowest level on record, as a share of GDP, with data back to 1962 — and then set a new record low in 2017 and every year thereafter. The \$236 billion-plus in cuts come on top of that. By 2025, total funding for non-defense discretionary programs would be at least 24 percent below the 2010 level adjusted for inflation, thus shrinking the funds available for investments in education, research, transportation, and other areas that are important for future economic growth.

Shrinking Federal Spending to Dangerous and Unrealistic Levels

Under the Enzi plan, total federal spending would average 18.9 percent of GDP over the next ten years and fall to 18.5 percent by 2025, even as the baby boomers retire in large numbers and begin drawing Social Security and Medicare. *That's far below the 21.8 percent average in the Reagan years*, even though, in those years, no baby boomers had yet retired and the elderly were a much smaller share of the population and thus drawing less from Social Security and Medicare.

When one examines spending outside Social Security and Medicare (and excluding interest payments on the debt), the comparison grows starker. Spending on government programs other than Social Security and Medicare would fall to 7.2 percent of GDP in 2025 — *40 percent below the average of 12.2 percent of GDP over the past 40 years*, and far below the previous post-World War II low (which was 9.4 percent of GDP in the late 1990s). In short, the federal government outside Social Security and Medicare would gradually become a shell of its former self.

As with the Price plan, the Enzi plan violates several core principles that underlay the separate bipartisan plans that Alan Simpson and Erskine Bowles (co-chairs of the National Commission on Fiscal Responsibility and Reform) and the Bipartisan Policy Center's Rivlin-Domenici Debt Reduction Task Force produced in late 2010. Those plans featured very large deficit reduction, but they included substantial

revenue increases as well as program cuts. And they rested on a core principle that deficit reduction should not increase poverty or inequality. The Enzi and Price budgets both do the opposite.

As I noted yesterday about the Price plan, if the policies of the Enzi plan become law, ours would be a coarser and less humane nation with higher levels of poverty and inequality, less opportunity, and a future workforce inadequately prepared to compete with its counterparts overseas in the decades ahead.

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