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BUDGET PROCESS BILL THREATENS FEDERAL NUTRITION PROGRAMS

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The Senate Budget Committee has approved a bill that would radically alter federal budget procedures and could lead to massive cuts over time in the vast majority of domestic programs, including nutrition programs. The bill may come to the Senate floor this summer.

Senator Judd Gregg, Chairman of the Budget Committee, has described the bill as offering "common sense and fiscally responsible solutions" to problems like "duplicative and wasteful spending." In fact, the bill fails to include proven mechanisms for strengthening budget discipline, such as restoring the "Pay-As-You-Go" rules on both entitlement increases and tax cuts. Instead, the bill would target domestic programs for substantial cuts, including the school lunch, WIC, and food stamp programs, while shielding tax cuts from any fiscal discipline. A complete analysis of the legislation can be found at: http://www.cbpp.org/6-19-06bud.htm. This analysis focuses on what the impact of the legislation would be on federal nutrition programs.

The bill poses threats to the nutrition programs and the people they serve. Five of the most serious problems with the proposal, from the perspective of the nutrition programs, are that it would:

- Lock in deep cuts to domestic discretionary programs, such as WIC, for fiscal years 2007, 2008 and 2009.

- Set fixed deficit targets, enforced by automatic, across-the-board cuts in all entitlement programs other than Social Security — including school lunches and food stamps — that would be triggered in any year in which the deficit target otherwise would be missed.

- Provide the President with a line item veto authority that would enable him to seek to cancel the funding Congress has provided for any discretionary program, such as the Commodity Supplemental Food Program. The provision also would enable the President to seek to cancel any provision that Congress enacts to strengthen an entitlement program, such as a child nutrition program or the food stamp program. The President could propose to cancel provisions improving food stamp or child nutrition benefits even if the cost of the improvements was paid for by an offsetting cut in the nutrition programs, or in other programs, contained in the same bill. The President could use the line-item authority to strip out the improvement while retaining the cut used to pay for it.

- Establish a partisan program termination commission that would severely limit members of Congress' ability to intervene on behalf of individual programs. The survival of programs already proposed for termination, like the Commodity Supplemental Food Program, and other small programs such as the Community Food Security Program, could be placed in question.

- Lead to large cuts in the vast majority of *other* domestic programs, as well, including health care, child care, and education programs, and even the Earned Income Tax Credit. Reducing these critical supports for low-income families, children, and people who are elderly or have disabilities would strain people's budgets, making it harder for them to afford adequate food.

1. Requirements for Large Cuts In Discretionary Programs

The Gregg bill would lock in, for the next three years, the overall discretionary funding levels proposed in President Bush's most recent budget. To hit those levels, the President's budget proposes $66 billion in domestic discretionary cuts over the next three years (relative to the 2006 funding levels for those programs, adjusted for inflation), with the cuts growing deeper each year. By 2009, the President's cuts would hit *every* domestic discretionary program area in the budget, with the sole exception of space, science and technology.

Under the President's budget, the acclaimed women, infants and children nutrition program (WIC), which the Budget Administration has singled out for praise as one of the most effective federal programs, would be cut by $459 million in 2009. That would entail reducing the number of low-income pregnant women, infants and young children at nutritional risk whom the program serves by 680,000.[1]

2. Fixed Deficit Targets Enforced by Automatic Budget Cuts

The Budget Committee bill also would set fixed deficit targets that would be enforced by automatic across-the-board cuts in all entitlement programs except Social Security. The automatic cuts are designed in a way that could lead to substantial reductions in basic assistance programs for the poor, including food assistance programs such as child nutrition, food stamps and TEFAP.

The bill establishes fixed deficit targets that would be set at 2.75 percent of the Gross Domestic Product (the basic measure of the size of the economy) in 2007 and would shrink to 0.5 percent of GDP in 2012 and the years thereafter. If the deficit target for a year would be missed, and Congress did not enact legislation producing sufficient savings to hit the target, across-the-board entitlement cuts would *automatically* be triggered. The automatic cuts would be set at whatever percentage cut was needed to hit the deficit target.

[1] This is the amount by which WIC caseloads would have to be reduced under the current program structure, if funding for the program in 2009 were set at the level shown in the President's budget. The Administration also has proposed shifting part of the costs of the WIC program to states. If that proposal were adopted, the number of people served through WIC would have to be cut by 295,000 by 2009.

Tax cuts, by contrast, would be protected from the automatic cuts. In fact, there would be nothing barring Congress from enacting even more tax cuts, thereby making deficits larger and triggering even deeper budget cuts.

Assuming that the President's tax cuts are extended, that Congress continues to provide an annual "fix" to the alternative minimum tax, and that the President's defense build-up is funded, the projected deficit in 2012 will exceed the Gregg target by $252 billion in 2012, even if the wars in Iraq and Afghanistan have entirely ended by then.[2] This would mean that Congress would have to produce $252 billion in deficit reduction for that year. (This figure dwarfs the $39 billion in savings *over five years* contained in the Deficit Reduction Act that Congress narrowly passed earlier this year.[3]) If Congress is unable to pass legislation to achieve cuts of this magnitude as would likely be the case, automatic entitlement cuts of large proportions would be triggered.

Impact on Child Nutrition

Child Nutrition Programs, including free school lunches and breakfasts, would be subject to these automatic entitlement cuts. In 2012, their share of the cuts would be $2.7 billion. This cut would reduce spending on child nutrition programs by 16 percent.

In size, such a cut is equivalent to eliminating 90 percent of the school breakfast program. The size of the cut also is equivalent to eliminating the school lunch program in 34 states.

The across-the-board cut would most likely take the form of reducing the reimbursement rate that schools receive for the meals they serve under the programs. For example, in 2012, instead of receiving $2.68 per free lunch, schools would receive $2.25, a 43 cent cut. It is unlikely that schools would be able to absorb this cost by providing smaller meals or lower quality food, since the meals must meet basic nutritional standards that many schools struggle to meet under the current reimbursement rate. Similarly, schools may not impose an additional charge on students receiving free or reduced-price meals. They would either have to compensate for the cut by raising prices on meals served to middle- and upper-income children or cover the costs themselves by diverting funds from other educational functions.

Since the Budget Committee bill also would be likely to result in cuts in other education funding streams — such as Title I of the No Child Left Behind Act and special education funding provided under the Individuals with Disabilities Education Act — schools would likely have difficulty identifying new funding sources to replace the lost federal school-meals funding. In the absence of replacement funds, schools would need to raise the price of each lunch served to middle-income children by about 68 cents by 2012 to make up for the reimbursement cuts.

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[2] In doing these deficit calculations, we assume that most, but not all, of the estate tax will be repealed, in accordance with the legislation approved by the House of Representatives on June 22, 2006.

[3] The $39 billion in savings under the Deficit Reduction Act are projected to produce $42 billion in total savings, when the associated reduction in interest payments on the debt is taken into account. These $42 billion in five-year savings equal about one-sixth of the $252 billion in savings that would be produced *just in 2012* under the Budget Committee bill.

Gregg Bill Does Not Protect Programs that Serve Vulnerable People – Including Elderly and Disabled

The fixed deficit targets and automatic cuts that the Senate Budget Committee bill includes are modeled on provisions of the Gramm-Rudman Hollings deficit reduction law enacted in 1985 and modified in 1987. But the new bill differs fundamentally in a key respect from the GRH legislation. The GRH legislation *shielded basic programs for the poor from its automatic cuts*. Supplemental Security Income, Medicaid, AFDC (the forerunner of TANF), free school lunches, other child nutrition programs, food stamps and the Earned Income Tax Credit all were exempt from the automatic cuts. (So were veteran's disability compensation and veterans pensions.) All budget process laws enacted since 1985 that have contained mechanisms for automatic program cuts have exempted these programs. By contrast, the Senate Budget Committee bill fails to contain this exemption. Under it, all basic assistance programs for low-income families would be cut, along with all other entitlement programs except Social Security, when the automatic-cut axe fell.

In contrast, tax cuts — including costly tax cuts for very high income Americans — would be entirely exempt. The automatic reductions would not touch them. They would be subject to no fiscal discipline under the Budget Committee bill.

A price increase of that magnitude, however, would likely drive substantial numbers of children from the school lunch program, further eroding program revenue. Some schools unable to cover the costs with other education funds might stop offering the breakfast program, or even the lunch program, to avoid the cost shift.[4]

Impact on the Food Stamp Program

The Food Stamp Program's share of the across-the-board cut in 2012 would be $6.2 billion. If the cut were applied evenly across the program, benefits would need to be cut by $5.4 billion. This represents a large reduction. It is the equivalent of cutting off 4.1 million participants or eliminating the program completely in 28 states. The actual cut would likely take the form of an across-the-board reduction in benefit levels to 11 million households that participate in the program. The average annual loss in benefits would be $699 for a working household with children (from $3,688 to $2,989) or $245 for an elderly household, from $1,227 to $982.

The impact on many low-income households' ability to afford an adequate diet would be large. At the same time that cuts in child nutrition programs and food stamps would be taking place and low-income families and elderly and disabled people would be losing food assistance, these families and individuals also would be facing deep cuts in other programs that help them make ends meet. Health insurance via the Medicaid and Medicare programs, Supplemental Security Income, child care and other supports would face similar cuts, further compromising low-income individuals' ability to afford adequate food.

Consider the impact on a family of three with one full-time minimum wage worker. The family's total annual income, including wages, food stamps and the Earned Income Tax Credit, would be cut by $1,040, from $19,944 per year to $18,904. Poor elderly households would be impacted even

[4] When implementing the across the board cuts, USDA might assume some savings as a result of students dropping out of the program. As a result, the overall cuts to the meal reimbursement rates would not need to be as large in order to achieve the mandated level of savings in the Child Nutrition Programs.

more adversely. A single elderly woman who lives on the typical annual income of $4,488 in SSI benefits and $2,076 in food stamps would see her annual income drop by $958, or $80 per month. In addition, she would be likely to experience a reduction in her health care coverage as a result of the cuts in the Medicaid program. As these examples illustrate, this legislation would increase hardships among low-income Americans and almost certainly would increase hunger and food insecurity.

3. Line-Item Veto Authority

The legislation would also give the President a line-item veto authority. Although such authority is often described as a mechanism to address inappropriate appropriations "earmarks" or "pork-barrel spending," the line-item veto provisions of the Senate bill go far beyond that. These provisions would give the President increased power to try to cut off funding for various discretionary programs, such as the Commodity Supplemental Food Program. These provisions also would give the President unprecedented authority to *reject* provisions of legislation improving or expanding entitlement programs, including the food stamp and child nutrition programs. This could occur even if the cost of such provisions was fully offset by cuts elsewhere in the same bill.

The President would have one after a bill is enacted to propose the cancellation of the items in it. And, the Gregg bill would allow the President to package items from different pieces of legislation into a single veto package, with Congress being required to vote on the package without being allowed to amend it. Congress would have to vote up-or-down on the package as a whole exactly as the President presented it, using "fast-track" procedures.

This would enable the President to take a few egregious pork items (e.g. a new "bridge to nowhere") that had receive damning publicity — and to package vetoes of those egregious items with vetoes of other, much more meritorious items that the President opposed on ideological grounds. Members who voted "no" on the package could then be attacked for refusing to curb the egregious pork.

It is not hard to imagine the Administration using the line-item veto to cancel or roll back new investments in nutrition programs. In the child nutrition arena, for example, the School Nutrition Association (SNA, formerly the American School Food Service Association), which represents school food program administrators, has long sought to provide free meals to all children with family income between 130 percent and 185 percent of the poverty line. These children are currently eligible for reduced-price meals. If, working with Congress, SNA were able to secure a pilot program to test this measure or to raise the income eligibility limit for free meals to, say, 150 percent of the poverty line, the Administration could use the line-item veto to try to strike such a provision. The same would hold true for expansions in the Lugar Simplified Summer Food Service Program or the Fresh Fruit and Vegetable Program. Successful efforts to expand the reach of these programs could be cancelled through the line-item veto process, under the mantra of deficit reduction.

Investments in the Food Stamp Program would similarly be at risk. When Congress takes up the Farm Bill next year, anti-hunger groups will work to secure improvements to the Food Stamp

Program. Efforts to secure provisions that improve the program could be for naught if the President is able to strike new initiatives by using the line-item veto.

For example, many anti-hunger groups would like to see the $2,000 food stamp asset limit increased. If the Farm Bill includes a provision raising this limit, the Administration could subsequently strike the provision to cut the cost of the overall Farm Bill. The Administration would likely argue that the nation cannot afford to expand entitlement programs while it is running a significant budget deficit.

Because Congress would have to approve the President's vetoes, it is unlikely that the President would use the line-item veto authority to cancel *all* program increases he did not favor. Consider next year's farm bill as an example. The President would be more likely to strategically target specific components of a final compromise agreement and to cancel or modify provisions whose supporters constituted a minority, rather than a majority, of the Members of Congress. Suppose, for example, Congress were to soften the three-month food stamp time-limit on childless unemployed adults because some Members had insisted on that improvement as part of their price for voting for the Farm Bill. If the President used the line-item veto to cancel provisions he disliked that would not secure backing from a majority of Members if put to a separate up-or-down vote, then a food stamp improvement of this nature could be doomed.

The line-item veto proposal also would put the existence of smaller nutrition programs authorized under the Farm Bill at risk. Programs like Community Food Security and Program Access Grants are set to expire in August 2007, and their continuation is not assumed in the budget baseline. An extension of these programs consequently would be "scored" by the Congressional Budget Office and the Office of Management and Budget as entailing additional spending. As such, an extension of Community Food Security and Program Access Grants could fall prey to the line-item veto process.

Finally, the Gregg line-item veto proposal provides for highly disparate (and inequitable) treatment of entitlement expansions and tax cuts. The President would be able to propose a veto of any entitlement increase. He would be barred, however, from submitting vetoes of any new tax cuts — including special interest tax loopholes – unless they were specifically classified as "targeted tax benefits" by the Joint Congressional Commission on Taxation (JCT). Given that the JCT staff is appointed by the tax-writing Committees of Congress, it is likely that few, if any, special-interest tax breaks would be identified as "targeted tax benefits" and made potentially subject to the line-item veto.

In other words, entitlement expansions — such as a measure to expand food stamp eligibility — would be subject to the line item veto if a President so chose, but the vast preponderance of new tax breaks for wealthy investors and corporations would be shielded from the veto.

4. Terminating Programs via A Partisan "Sunset-Commission" Process

The Gregg bill would establish a panel consisting of 9 Republican and 6 Democratic appointees that would produce a plan calling for various program terminations and realignments. Both entitlement and discretionary programs could be proposed for termination, or for consolidation and conversion to block grants. Only a simple majority vote of the commission would be needed for the commission to approve a plan. The commission thus could develop its plan on a purely partisan basis.

Congress would then be required to vote on the commission's plan on a "fast-track" basis, with 51 (rather than 60) votes being needed to pass it in the Senate. (Senate filibusters of legislation containing the commission's plan would be prohibited.) *No amendments would be allowed,* either in committee or on the House or Senate floors. Congress would have to vote up or down on the commission's plan as a whole.

This process would mean that some programs could be terminated even though they enjoy support from a majority of members of Congress, because they would be included in a *package* of terminations that would not be subject to amendment. When confronted with an up-or-down vote on the package as whole, a majority of Members might feel compelled to vote for it, especially if it included termination of a few wasteful programs that had received damning publicity.

The Commodity Supplemental Food Program is an example of a program that could be at risk. The President's budget proposed terminating this important nutrition program for 420,000 low-income seniors. The appropriations committees have rejected this proposal. But a sunset commission could include it in a larger package, making it more difficult for program champions to keep the program alive.

This process would also apply to programs that receive mandatory funding, such as the Community Food Security Program or food assistance programs for certain territories. If the commission recommended these programs for termination as a part of a broader package of terminations that Congress adopted, it would be very difficult to restore funding for such programs. These programs typically are funded as a part of the Farm Bill, which is reauthorized only once every five years.

Conclusion

The budget bill the Senate Budget Committee has approved poses serious threats to the federal nutrition programs and the people they serve. The legislation would establish budget-process mechanisms that would essentially require deep cuts in both discretionary and entitlement programs. The programs at risk include the federal nutrition programs, as well as virtually all other domestic programs, including the other basic assistance programs for the poor. The sharp cuts that almost certainly would result from this legislation would diminish the ability of low-income individuals to afford adequate food. These cuts would likely result in marked increases in hunger in the most affluent nation in world history, even as lavish tax cuts for those at the top of the income scale were allowed to continue growing unchecked.