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HOUSE BUDGET BILL, WITH ALMOST ALL OF ITS LOW-INCOME CUTS INTACT, MOVES ON TO CONFERENCE WITH VERY DIFFERENT SENATE BILL

On November 17, House leaders made several changes to the House budget reconciliation bill, some of them designed to garner the support of Members who were concerned that low-income families would bear a large share of the bill's cuts. CBO analyses show, however, that these changes reduce the total level of cuts that most directly affect low-income Americans by *only about two percent*. The other 98 percent of the low-income cuts remain. The bill passed by the House would impose significant cuts in:

- **Food stamps: more than 220,000 people would be cut off the program.** This includes at least 150,000 people, most of them in working families with children who have substantial work and housing expenses that drop their net incomes below the poverty line. In addition, 70,000 legal immigrants who have been in the United States between five and seven years, primarily working-poor parents and poor elderly individuals, would be cut off food stamps by 2008. The food stamp cuts would total \$700 million over five years, according to CBO.
- **Medicaid: low-income beneficiaries would have to pay more for health care and would receive reduced services; many would end up doing without needed care.** A last-minute change by the House reduced the co-payments that the poorest Medicaid beneficiaries must pay. But the House left unchanged the two most serious most serious problems in this part of the bill — the very high co-payments and premiums that beneficiaries *just above the poverty line* could be charged, and the health care services that states would be allowed to eliminate, including comprehensive preventive care and treatment for near-poor children.

These changes would reduce Medicaid by nearly \$30 billion over ten years, according to CBO. These savings partly reflect the fact that because of the increases in co-payments and premiums, many low-income people either would not receive health care services or would not obtain Medicaid coverage at all, CBO notes. This, in turn, would result in more emergency room visits and higher emergency care costs, according to CBO, as people's health worsens due to lack of timely care.

- **Child support: \$24 billion in child support payments would go uncollected over the next ten years because of deep cuts in child**

support enforcement efforts. By sharply weakening funding for child support enforcement, the bill would undercut one of the government's principal tools for enforcing personal responsibility on those who father a child. Child support payments would drop sharply — according to CBO, \$24 billion that would be collected under current law would go uncollected under the House bill — and as a result, many children would likely be pushed deeper into poverty.

- **Child care: 330,000 children in low-income working families would lose child care assistance by 2010.** The bill requires states to place many more parents receiving TANF cash assistance into work programs. States will have to provide child care for these parents. Yet the House bill fails to provide enough child care money even to maintain the *current* number of subsidized child care slots for low-income families.

As a result, states would have to shift child care slots from low-income working families that are not on TANF cash assistance to families that receive cash aid and are participating in work programs. By 2010, some 330,000 children in low-income working families would lose their child care subsidies. (This figure is a CBPP estimate; no CBO estimate is available.)

Budget Cuts Will Be Used to Finance Tax Cuts, *Not* Deficit Reduction or Hurricane Relief

Despite claims by supporters of the House bill, these cuts would not reduce the deficit or help offset the costs of hurricane relief. This is because the House is planning to consider a tax-cut reconciliation bill that would reduce revenues by \$60 billion over five years, more than offsetting the total savings in the budget-cut bill.

Moreover, while the House budget cuts would heavily affect low-income families, the centerpiece of the House's forthcoming tax-cut bill — an extension of the capital gains and dividend tax cuts — would overwhelmingly benefit upper-income households. Fifty-three percent of the benefits of extending those two tax cuts would go to the 0.2 percent of households that make more than \$1 million a year, according to the Urban Institute-Brookings Institution Tax Policy Center.

Unlike House, Senate Achieved Savings *Without* Sharp Low-Income Cuts

The House's approach to reconciliation budget cuts contrasts sharply with that of the Senate, which did not include any cuts to food stamps, child support enforcement, SSI, or foster care.

The Senate bill did include Medicaid reductions, but unlike the House, the Senate avoided changes that harm low-income beneficiaries. Instead, the Senate took on powerful lobbying interests such as managed care providers and pharmaceutical companies: the Senate bill reduced overpayments to Medicare managed care plans (as recommended by the non-partisan Medicare Payment Advisory Commission) and reduced the prices Medicaid pays pharmaceutical companies for prescription drugs. The House, in contrast, shielded managed care providers and pharmaceutical companies.

The House could have achieved the \$50 billion in savings in its final bill while protecting low-income families by:

- ✓ reducing overpayments to Medicare managed care plans;
- ✓ lowering Medicaid prescription drug prices (by addressing the high charges imposed by pharmaceutical companies, as the Senate did); and

- √ canceling two tax cuts exclusively for high-income people that are scheduled to start taking effect on January 1. The savings just from canceling these two new tax cuts would be more than enough to replace all of the House's low-income cuts.

It remains to be seen whether the House's approach of imposing large cuts on low-income Americans or the Senate's approach of protecting these people from the most severe cuts will prevail in conference negotiations.

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