



# CENTER ON BUDGET AND POLICY PRIORITIES

## NEWS RELEASE

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### **PAINFUL LOW-INCOME PROGRAM CUTS, COSTLY HIGH-INCOME TAX CUTS CHARACTERIZE HOUSE BUDGET PLAN**

#### **State-by-State Estimates on Cuts in Selected Programs Included**

The budget plan the House Budget Committee passed on March 9 includes substantial reductions in basic assistance programs for low-income families, a new report from the Center on Budget and Policy Priorities finds. The report includes estimates of the state-by-state effects of the proposed reductions in selected programs.

“As a result of these program reductions, we’d likely see more low-income Americans with inadequate health coverage or none at all, more seniors and people with disabilities living in poverty, and more low-income working families failing to make ends meet,” said Sharon Parrott, director of welfare reform and income security at the Center and the report’s lead author.

“And while these program cuts are being presented as necessary sacrifices to reduce the deficit, the budget resolution also includes tax cuts that would increase the deficit,” she added.

#### **Large New Tax Cuts Likely Tilted Toward Wealthy**

The House budget resolution calls for an estimated \$30 billion to \$35 billion in cuts over the next five years from low-income “mandatory” (also known as “entitlement”) programs, including Medicaid, food stamps, and the EITC. (This figure is compared to the 2005 level adjusted only for inflation.) These cuts are much larger than those in the President’s budget. Up to half of the cuts the budget proposes in mandatory programs would come out of low-income programs.

The budget resolution also calls for \$106 billion in tax cuts over the next five years and puts \$45 billion of these tax cuts on a legislative “fast track” to ease their enactment. This fast track, known as “reconciliation,” protects legislation from a Senate filibuster, enabling it to pass the Senate with 51 votes instead of 60.

While the resolution cannot specify which tax cuts must be included, the Budget Committee made it clear that the plan assumes an extension of capital gains and dividend tax cuts enacted in 2003, which are slated to expire at the end of 2008. These tax cuts, which would cost \$23 billion through 2010, primarily benefit wealthy households. Nearly half of their benefits would go to households with incomes above \$1 million, according to the Urban Institute-Brookings Tax Policy Center; this group constitutes just 0.2 percent of U.S. households.

## Comparing the Magnitude of the Program Cuts and Tax Cuts

The budget resolution would cut mandatory programs as a whole (not just low-income programs) by \$69 billion between 2006 and 2010. The Center's report examines the possible effects of these cuts on several specific programs; it also compares the size of certain proposed cuts to tax cuts that are included or assumed in the resolution.

- **Medicaid** would be cut by at least \$15 billion (and possibly by as much as \$20 billion). This is roughly the cost of the capital gains and dividend tax cuts for households with incomes above \$200,000 (i.e., the top three to four percent of households) in 2006-2010.
- Low-income programs overseen by the House Ways and Means Committee would be cut by about \$15 billion. (These programs include the **EITC** for low-income working families, the **Supplemental Security Income** program for poor seniors and people with disabilities, and **TANF** and **child care** funding for states.) This \$15 billion is roughly the amount that households with incomes above \$1 million will receive in 2006-2010 from two tax cuts that were enacted in 2001 but will not start phasing in until next year. These tax cuts (known as "Pease" and "PEP"), which relate to the personal exemption and itemized deductions, benefit only high-income households.
- Farm and nutrition programs under the House Agriculture Committee would be cut by \$5.3 billion. Some, and possibly all, of this cut would come from the **Food Stamp Program**. The President's budget called for \$600 million in food stamp reductions, but some Committee members say they want to make much deeper food stamp cuts to enable them to scale back the President's proposed cuts in farm price supports. This \$5.3 billion is *half* the amount that households with incomes above \$1 million would receive in 2006-2010 from the capital gains and dividend tax cuts.

### Shared Sacrifice Missing from Budget Resolution

The budget resolution also calls for \$216 billion in cuts to domestic "discretionary" programs — programs funded by annual appropriations — between 2006 and 2010. (The Center's paper does not address discretionary programs.) Roughly \$43 billion of this \$216 billion cut would come from low-income discretionary programs if they were cut by the same percentage as domestic discretionary programs as a whole.

Because the reductions in mandatory and discretionary programs are not accompanied by any restraint on tax cuts, the Center's report concludes, they are not part of a shared-sacrifice budget that reins in the deficit and restores fiscal discipline. In fact, the combined deficit over the next five years would be \$127 billion higher under the policies in the budget resolution than if current policies were continued.

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**The Center on Budget and Policy Priorities** is a nonprofit, nonpartisan research organization and policy institute that conducts research and analysis on a range of government policies and programs. It is supported primarily by foundation grants.

## Appendix

### Potential State-by-State Impacts of Cuts in Low-Income Mandatory Programs Under the House Budget Resolution

As discussed in the analysis, a budget resolution does not provide specifics about how cuts assigned to each congressional committee will be achieved. Committees can select which of the mandatory programs under their jurisdiction to cut and which program rules should be changed to achieve savings.

The following table shows the state-by-state distribution of potential cuts to some key low-income programs under the jurisdiction of the Ways and Means Committee. The data in the table are not meant to be precise estimates of how final reconciliation legislation will affect each state, but are intended to provide policymakers with a sense of how their states might be affected by cuts of the magnitude called for in the House Budget Resolution.

The table shows the state-by-state distribution of cuts in SSI, the EITC, TANF and child care, foster care and adoption assistance, and child support enforcement. The estimate of the total level of cuts nationally in each of these program was made by assuming that: (1) the Ways and Means Committee would not cut the Medicare program, consistent with statements by House Budget Committee Chairman Nussle, and would not cut Social Security;<sup>7</sup> (2) cuts to the unemployment insurance program would follow the Administration's proposals (as scored by the Congressional Budget Office), as would elimination of payments related to trade "dumping" disputes; and (3) all other programs under the jurisdiction of the committee would be cut by the same percentage.

The state estimates were computed by assuming that each state's share of the cut in a particular program would equal its share of federal funding for that program in the most recent year for which data are available.

While these estimates assume that each state's share of the cut in a particular program equals its proportion of federal funding for that program, it is important to note that, in practice, legislation to secure savings in the programs under the jurisdiction of the Ways and Means Committee may not affect all states proportionally. This is another reason why these figures should be treated as rough estimates of how individual states (and low-income families in each state) might be affected by cuts of the magnitude that would be required under the House Budget Resolution.

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<sup>7</sup> Under Congressional rules, changes to Social Security cannot be made in budget reconciliation.

**How Could States Be Affected by Cuts of the Magnitude Required Under the House Budget Resolution?**

*Potential* Cuts to Key Low-Income Mandatory Programs Under the Jurisdiction of the Committee on Ways and Means: 2006 through 2010

(In Millions)

State	SSI	EITC	TANF and Child Care	Foster Care and Adoption	Child Support Enforcement
U.S. Total	-\$4,758.6	-\$4,243.7	-\$2,432.0	-\$914.7	-\$557.0
Alabama	-\$100.7	-\$108.0	-\$15.0	-\$4.4	-\$6.3
Alaska	-6.7	-6.0	-10.2	-2.6	-2.1
Arizona	-60.6	-76.1	-35.5	-10.0	-6.2
Arkansas	-51.4	-57.8	-9.1	-6.1	-4.0
California	-1,033.0	-460.6	-537.7	-228.1	-103.1
Colorado	-33.6	-45.1	-21.6	-13.5	-8.0
Connecticut	-33.6	-28.4	-38.4	-11.8	-6.2
Delaware	-8.2	-10.6	-4.7	-1.5	-2.4
District of Columbia	-14.5	-9.4	-13.3	-4.5	-2.4
Florida	-259.4	-303.9	-89.7	-22.8	-26.1
Georgia	-122.1	-178.8	-53.0	-10.3	-12.1
Hawaii	-15.4	-14.2	-14.2	-4.0	-1.1
Idaho	-12.7	-18.3	-5.1	-1.4	-3.8
Illinois	-174.0	-164.2	-84.3	-64.2	-17.9
Indiana	-61.3	-79.1	-29.8	-10.7	-5.5
Iowa	-24.5	-29.6	-18.9	-6.9	-4.5
Kansas	-23.6	-32.0	-14.7	-6.5	-6.1
Kentucky	-113.4	-64.7	-26.1	-9.7	-5.6
Louisiana	-104.8	-122.8	-26.1	-10.4	-5.6
Maine	-18.8	-14.6	-11.3	-5.2	-1.6
Maryland	-61.0	-63.3	-33.0	-24.5	-10.4
Massachusetts	-117.4	-50.4	-66.2	-14.3	-14.2
Michigan	-148.6	-119.6	-111.7	-34.4	-29.2
Minnesota	-43.7	-42.8	-38.6	-13.4	-13.1
Mississippi	-76.4	-86.1	-13.8	-2.3	-4.9
Missouri	-73.1	-81.8	-31.3	-12.6	-6.4
Montana	-8.8	-12.9	-6.7	-2.2	-1.5
Nebraska	-13.3	-19.6	-8.4	-4.6	-4.3
Nevada	-20.4	-28.5	-6.9	-3.3	-3.8
New Hampshire	-7.9	-10.0	-5.5	-2.5	-4.6
New Jersey	-100.1	-90.1	-58.2	-12.0	-17.1
New Mexico	-30.5	-38.9	-19.1	-5.2	-9.6
New York	-458.0	-279.7	-351.8	-97.2	-29.5
North Carolina	-113.8	-150.4	-48.7	-11.2	-10.9
North Dakota	-4.5	-6.9	-3.8	-2.0	-5.2
Ohio	-164.6	-147.2	-104.8	-57.1	-28.1
Oklahoma	-47.0	-61.4	-21.3	-5.9	-4.4
Oregon	-37.3	-37.8	-24.2	-8.6	-9.7
Pennsylvania	-218.4	-137.3	-103.6	-58.3	-21.3
Rhode Island	-20.3	-11.7	-13.7	-3.2	-0.9
South Carolina	-63.5	-87.1	-14.4	-5.2	-4.5
South Dakota	-7.2	-9.8	-3.2	-1.1	-6.2
Tennessee	-100.3	-108.6	-30.7	-5.7	-7.9
Texas	-264.9	-462.2	-77.6	-31.4	-25.7
Utah	-14.0	-25.1	-12.3	-4.1	-4.8
Vermont	-7.8	-6.1	-6.8	-2.8	-5.0
Virginia	-80.7	-93.5	-22.8	-17.2	-7.3
Washington	-75.8	-61.0	-58.2	-12.8	-10.9
West Virginia	-48.7	-27.0	-15.9	-5.3	-2.9
Wisconsin	-54.7	-50.8	-45.8	-17.0	-11.4
Wyoming	-3.5	-5.9	-3.1	-0.4	-1.0

For each program, cuts are allocated by state in proportion to each state's share of nationwide federal program spending in the most recent available year.