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HOUSE BUDGET CONTAINS LARGE CUTS IN MEDICAID AND OTHER DOMESTIC PROGRAMS

The budget plan passed by the House on March 21 contains deep and widespread cuts in basic domestic programs such as Medicaid, veterans programs, student loans, school lunches, child care, food stamps, cash assistance for the elderly and disabled poor, and many other programs. (See the appendix for an explanation of the calculations used in this paper.) The budget would require Congressional committees to cut “mandatory” programs by \$265 billion over the next ten years.

The cuts are reminiscent of those proposed by former House Speaker Newt Gingrich in 1995 and included in the Contract with America budget legislation that President Clinton vetoed that year. While Chairman Nussle did not provide the specific amounts by which each program would be cut, his budget assumes cuts in all mandatory programs except Social Security, Medicare, unemployment compensation, and benefits for retired military personnel. Chairman Nussle described the reductions as having been calculated on a proportional basis and the budget plan provides a figure to each House committee that specifies how much that committee must cut mandatory programs in its jurisdiction. In addition, Chairman Nussle prepared budget tables showing the budgeted level of entitlement spending in each “functional” area. For example, the budget function containing Medicaid must be cut \$98 billion over ten years.

If the committees cut all programs within their jurisdictions by the same percentage, the cuts would include:

- \$92 billion in Medicaid, the basic health insurance program for low-income families, children, and elderly and disabled people, plus another \$2 billion from the State Children’s Health Insurance Program (SCHIP).
- \$14 billion in veterans programs.
- \$13 billion in food stamps.
- \$7 billion in farm programs.

Deep cuts in Medicaid are unavoidable. The Nussle budget also would cut “discretionary” or non-entitlement programs (other than defense spending) well below the President’s request. Non-defense discretionary programs would be cut \$200 billion over ten years below the Congressional Budget Office baseline,

which equals the 2003 levels for these programs, adjusted for inflation. These cuts could affect a wide variety of programs from education programs to environmental protection programs to programs for poor children.

While requiring deep cuts in domestic programs, the budget makes room for most of the President's large tax-cut package, including \$1.4 trillion in tax cuts through 2013. The tax cuts in the President's "growth" package alone, all of which are included in the Nussle budget, would cost \$726 billion over ten years and would, according to the Tax Policy Center, result in tax reductions averaging \$90,000 each in 2003 for those Americans who have incomes of more than \$1 million.

"Class warfare turns out to be alive," Center director Robert Greenstein commented. "It is a centerpiece of the House-passed budget, with deep budget cuts that could harshly affect the poor, the vulnerable, and many middle-class Americans, alongside lavish tax cuts for the nation's richest individuals. With this budget, we would be marching down the path toward a new Gilded Age."

"The House budget serves one very useful purpose." Greenstein added. "It shows that these large tax cuts aren't free, and that at bottom, the issue is one of national priorities. This ought to trigger a national debate. Are tax cuts averaging \$90,000 a year for millionaires so high a priority that we should cut health care programs, increase the ranks of the uninsured, reduce the cost or limit the availability of student loans, and increase hardship among the disabled, poor children, and others to free up room for massive tax cuts?"

APPENDIX

Calculating Selected Budget Cuts in the House Budget Plan

The budget plan passed by the House on March 21 assumes cuts in almost all entitlement programs. During markup, House Budget Committee Chairman Nussle indicated that he assumed entitlement programs would be reduced proportionally; he said this was the basis on which the figures for each budget “function” and each “reconciliation target” were derived.

The Chairman has distributed a table showing the “reconciliation targets” for each committee — i.e., the amounts by which each committee is required to reduce entitlement programs, relative to current law. He also prepared a table showing the resulting level of “mandatory” spending in each budget function. These tables show —

- A \$14 billion, ten-year reduction in veterans benefits (such as compensation, pensions, and education benefits).
- A \$92 billion, ten-year reduction in Medicaid. The table of mandatory spending shows a total, ten-year level of spending in Function 550 (Health) that is \$98 billion below the amount CBO says will be spent under current law; that is, payments for health entitlements other than Medicare¹ must be cut \$98 billion. The health function contains a number of entitlements: Medicaid, the State Children’s Health Insurance Program, health insurance subsidies for federal employees, etc. Health care for military retirees (“TriCare”) is exempt from the cut because it is under the jurisdiction of the Armed Services Committee, which is not called upon to make any cuts. (All \$98 billion of these cuts would have to be made by the House Energy and Commerce Committee, which has jurisdiction over Medicaid, SCHIP, and health insurance for federal employees.) Medicaid constitutes about 94 percent of the remaining entitlement spending in this function, so its proportionate share of the \$98 billion cut is \$92 billion. The State Children’s Health Insurance Program constitutes two percent of the remaining entitlement spending in this function; its proportionate share of the cut is \$2 billion.
- A \$13 billion, ten-year reduction in Food Stamp benefits and a \$7 billion reduction in farm programs. The reconciliation table shows that the Agriculture Committee is required to cut programs within its jurisdiction by \$19 billion. At the same time, the table of mandatory spending shows a total, ten-year level of spending in Function 350 (the budget function devoted to farm programs such as price supports and crop insurance) that is \$7 billion below the amount CBO says will be spent under current law; payments to farmers must be cut by \$7 billion. The Agriculture Committee therefore must cut entitlement programs *outside* of Function 350 by the remaining \$13 billion. (These figures sum to \$19 billion rather than \$20 billion because of rounding.) But the Agriculture Committee has jurisdiction over only one major program outside of function 350 — Food Stamps, which is in Function 600 (Income Security). Thus, a \$13 billion cut must be made in Food Stamps.

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¹ Medicare is in a function of its own rather than in the Health function.