

STATEMENT BY ROBERT GREENSTEIN ON PROPOSED BUDGET PACKAGE PRESENTED BY REPUBLICAN STUDY COMMITTEE

Today the Republican Study Committee of the House of Representatives released a package of proposed program cuts the Committee says could be used to offset the cost of relief and recovery from Hurricane Katrina.

While it includes some proposals that should be considered as part of any effort to reduce deficits — which were on an unsustainable path before Katrina struck — the package is not a sensible and carefully considered guide to deficit reduction.

In particular, these proposals would place much of the burden of Katrina relief and deficit reduction on the backs of our nation's poor, seniors, and people with disabilities, as well as on poor people in other countries through cuts in U.S. programs designed to combat global poverty and AIDS.

It is ironic that not long after Hurricane Katrina provided vivid images of the wide gaps between wealth and poverty in this nation, a group of lawmakers would propose a deficit-reduction package that relies heavily on cuts in programs that alleviate the worst effects of poverty. The proposals call for some \$340 billion over ten years in cuts to programs that provide important benefits and services to low-income Americans, including nearly \$250 billion in cuts to Medicaid which provides health care to low-income children, parents, seniors, and people with disabilities. Nearly 40 percent of the savings in the package would come from cuts in assistance for America's low-income citizens.

While proposing deep cuts in programs that help the nation's poor as well as the poor around the world, the RSC does not call for scaling back of a single high-income tax break that was enacted since 2001. The *annual* cost of the Bush tax cuts exceeds the projected *total* cost of relief and rebuilding efforts related to Hurricane Katrina. The Urban Institute-Brookings Institution Tax Policy Center reports that households with incomes over \$1 million a year are receiving tax cuts averaging \$103,000 each this year. Furthermore, two *new* tax cuts that will primarily benefit those in the \$1 million-and-up category (while bypassing those in the middle of the income scale) are slated to take effect January 1.

Even before Katrina, the nation needed a balanced program of long-term deficit reduction that put all parts of the budget on the table — including tax cuts for the wealthiest members of our society — and achieved savings through a combination of spending restraint and revenue measures. Policymakers should pursue a program of shared sacrifice that achieves savings through measures that target “weak claims, not weak clients,” to use David Stockman's phrase. Unfortunately, in many respects, this package does the reverse.
