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## CBPP STATEMENT

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# Statement of Robert Greenstein on the Murray-Ryan Budget Agreement

The budget agreement between Senate Budget Committee Chair Patty Murray and House Budget Committee Chair Paul Ryan represents an improvement over current law, albeit a modest one. Congress should approve it, but lawmakers should make every effort to accompany it with an extension of federal emergency unemployment benefits that will otherwise expire the week after Christmas.

The additional funding that the agreement provides for non-defense discretionary programs as part of its effort to provide relief from sequestration would mean that policymakers could scale back a number of damaging cuts that they imposed in 2013 in areas ranging from education and Head Start to low-income housing and medical research, among others.

The agreement meets five important criteria. First, it provides equal relief from sequestration for non-defense and defense programs, wisely rejecting calls to provide relief only or primarily for defense. Second, it offsets the cost of sequestration relief without imposing cuts in key mandatory programs that would harm vulnerable children, seniors, people with disabilities, or others. Third, while the agreement does not close a single tax loophole, it does secure some of its offsets from fees and other measures that increase federal revenues, rejecting the position that sequestration cuts must be replaced entirely by cuts in other domestic programs. Fourth, it modestly promotes economic growth by somewhat easing the sequestration cuts in the near term while the economy remains weak and spreading out the offsets over a 10-year period. Fifth, it gives appropriators an opportunity to set funding priorities for 2014 and 2015, rather than mechanically extending last year's funding levels through a continuing resolution.

But the agreement also has limitations.

First, and most disappointingly, it fails to extend emergency jobless benefits for long-term unemployed workers; without an extension, 1.3 million workers will lose benefits right after Christmas week, and the benefit expiration will cost the economy up to 300,000 jobs in the year ahead, according to the Congressional Budget Office. The House plans to link to the budget agreement a measure to extend relief for three months for physicians from scheduled cuts in the Medicare payment rates that they receive; it should do no less for long-term jobless workers who are about to lose their main, or only, income. In fact, lawmakers should provide *both* the Medicare physician-related relief and the emergency jobless benefits extension now, or they should do both in January — they should *not* do the former now without the latter.

Second, it would replace less than half of the total sequestration cuts in 2014 and a much smaller share in 2015 — and provide *no* relief after 2015 — leaving non-defense discretionary funding at levels too low to meet national needs and leaving an especially brutal funding squeeze in 2015 and 2016.

Third, its \$22 billion in savings that would go for deficit reduction will barely make a dent in our longer-term fiscal challenges, and those savings would have been better used to extend the expiring emergency unemployment benefits or scaling back the sequestration cuts to a greater degree.

We have some concern, as well, about the provision to reduce the take-home pay of new federal civil service employees by increasing the retirement contributions that are withheld from their paychecks. That cut would come on top of a several-year freeze in federal pay levels that, along with recent furloughs and the difficulties that federal workers faced during the October government shutdown, may feed perceptions that the federal government may not be a good place to work. That, in turn, may make it more difficult to recruit talented young people into federal service. As a matter of parity, the agreement at least takes an equal amount of savings from military retirement as from federal civilian retirement. The military pension system is an extremely generous one — considerably more so than that for the government’s civilian workers.

The bottom line is that while the agreement has some disturbing omissions and unattractive features, overall it is a modest positive step because it eases sequestration, particularly in 2014. Congress should approve it — but after making every effort to accompany it with an extension of the expiring unemployment benefits.

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