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STATEMENT OF ROBERT GREENSTEIN PRESIDENT, CENTER ON BUDGET AND POLICY PRIORITIES, IN RESPONSE TO REPUBLICAN BUDGET OFFER

House Republican leaders portray the deficit-reduction offer that they issued yesterday as a fair middle ground. It isn't.

On the crucial issue of revenues, the new Republican offer proposes $800 billion over ten years. Contrast that with the plan that Erskine Bowles, Alan Simpson, and some members of their commission issued in December 2010, which proposed tax changes that would raise $2.6 trillion in revenues over 2013-2022. [See our analysis of that plan.]

In this offer, Republicans also proposed substantially deeper cuts in health care programs like Medicare and Medicaid than Bowles-Simpson. The health care cuts in the Republican offer will likely be draconian. For months, we have studied options to generate savings in this part of the budget, and we can't get close to $600 billion — what the Republican plan requires — with items that wouldn't seriously hurt low-income and vulnerable individuals (and that would have any chance of passing Congress).

How then does the new Republican plan get to $600 billion? Republicans do not say.

When the well-being of millions of Americans is at stake — as it is with major changes in Medicare and Medicaid — that shouldn't be acceptable. If policymakers want to propose $600 billion in health care entitlement savings, as they have every right to do, they should show us the specific changes they would make to get there. Until they do, such proposals shouldn't receive much credibility.

(Some news accounts report the House Republican leaders would raise the Medicare eligibility age to 67 and increase Medicare premiums for more affluent beneficiaries, although those items are not mentioned anywhere in the new offer. But if so, those measures would raise only about one quarter of the $600 billion and raise questions as to whether House Republicans have an answer for what would happen to many 65 and 66 year olds in states that turn down the health reform law's Medicaid expansion or whether they are willing to turn back the clock nearly 50 years and let ours be the only Western democracy where significant numbers of poor elderly people can go uninsured.)

President Obama's budget has over $300 billion in specific health entitlement savings. Bowles-Simpson detailed its specific health entitlement savings as well. Only with specific proposals can we assess what level of cuts is reasonable and what is not.

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For example, analysis shows that, although this wasn't Erskine Bowles and Alan Simpson's intention, several of their specific health care cut proposals would likely harm vulnerable low-income elderly and disabled people. In response to such analysis, Bowles has expressed openness to modifying some of his proposals.

Other parts of the Republican offer — its $300 billion in cuts in non-health mandatory programs and its $300 billion in additional cuts in discretionary programs — have the same problem: no specifics. The proposal is an exercise in "look Ma, no hands" budgeting.

Take non-health mandatory programs. In the negotiations that Vice President Biden chaired in the spring of 2011 and the subsequent negotiations between President Obama and House Speaker John Boehner that summer, the two parties tentatively agreed on $240 billion to $250 billion in non-health mandatory savings. But though a sizeable share of those savings has since been enacted, the new Republican offer calls for $300 billion in savings here. Where would the tens of billions of dollars in additional savings come from? The offer doesn't say. Consequently, we can't assess this part of the proposal, either.

We can assess the proposal for $300 billion in additional cuts in discretionary programs. It likely would pose significant risks to investments in areas from education to scientific research to food safety to border security to children's programs such as child care, WIC, and Head Start. Consider the following.

- The discretionary funding caps set by last year's Budget Control Act (BCA) will cut discretionary spending of $1.5 trillion over the next ten years [see this CBPP paper], compared to the Congressional Budget Office's (CBO) baseline at the end of 2010 — when Bowles and Simpson issued their report.

- And, the existing BCA caps are so austere that, by 2017, non-defense discretionary spending will be at its lowest level on record as a share of the economy, with data going back to 1962.

- Making the squeeze tighter, some essential non-defense discretionary programs will require large increases in the years ahead. As an analysis that we will issue shortly shows, spending for veterans' health care will need to rise by several hundred billion dollars over the coming decade, as more Vietnam veterans reach old age (when health care costs climb) and the number of Iraq and Afghanistan war veterans grows. To meet these costs for our veterans, which we will surely do, policymakers will have to cut other non-defense discretionary programs even more deeply to remain within the tough BCA caps. Adding large further cuts on top of the steep cuts that the BCA requires would be most unwise, as former Senate Budget Committee Chairman Pete Domenici and former CBO and Office of Management and Budget director Alice Rivlin have warned.

The Republican offer poses these problems for one main reason: its revenues are inadequate. At $800 billion, they don't even offset the cost of extending President Bush's tax cuts for the most affluent 2 percent of Americans and extending the current extravagant estate-tax break for the heirs of the richest 0.3 percent of Americans — as the Republican plan apparently does.

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In short, people with low incomes or serious disabilities, and elderly people of modest means, would face substantial cuts — but people at the top would get to keep a significant share of their munificent tax cuts.

The good news is that Republican leaders have made an offer, non-specific as it is in virtually all key areas, and have accepted that some increase in revenues is needed above the revenue level that would result from extending current tax policies. The bad news is the guts of the offer itself — and its attempt to lock in a requirement for deep cuts in programs on which tens of millions of Americans of modest means rely, without coming clean on the nature and severity of the cuts that would be required.

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