



U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON THE BUDGET

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Republican Budget Conference Plan: Work Harder, Get Less

The Republican conference agreement on the fiscal year 2016 budget resolution calls on middle-class Americans and those striving to join the middle class to work harder and get less. Just like the House Republican budget, it is a recipe for national decline. It chops down the ladders of opportunity that help hard-working Americans get ahead. It makes it harder to buy a home or pay for college, causes millions of struggling Americans to fall deeper into poverty, and makes it harder to have a secure retirement.

The conference agreement does nothing to help those Americans looking for jobs. It does nothing to boost the paychecks of working Americans. Despite working harder than ever, Americans' wages have stagnated for decades as the economic gains from their hard work have increasingly flowed to those at the highest income levels. This budget, instead of reversing that trend, makes it worse. It paves the way for tax cuts for the wealthiest few while raising taxes on the middle class and hard-working families. The conference agreement deliberately ignores the growing mountain of evidence that trickledown economics has been a miserable failure, having boosted nothing but budget deficits and the incomes of the already wealthy.

The budget disinvests in America by slashing the nation's commitments to education, research, infrastructure, and other crucial drivers of economic prosperity. At the same time, it refuses to cut a single special-interest tax break in order to reduce the deficit. And its phony claim of reaching "balance" is built on a shaky foundation of huge gimmicks. All in all, just like the separate House- and Senate-passed versions of the budget, the conference agreement rigs the rules to favor the wealthy and special interests at the expense of everyone else.

Makes Life Harder for Americans Today

Hurts families by green-lighting tax increases for the middle class to pay for tax cuts for millionaires and billionaires — The conference agreement is a green-light for passage of the Romney-Ryan tax plan, which would slash taxes for the wealthiest taxpayers by lowering top individual and corporate tax rates by one-third, financing the multi-trillion dollar cost on the backs of the middle class by canceling key tax benefits that middle-class households receive. Non-partisan analysis of the Romney-Ryan tax plan found it would increase taxes on a typical working family by \$2,000, while giving millionaires an average tax cut of over \$200,000.

Major Changes from House Republican Budget

- Defense: Uses Overseas Contingency Operations (OCO) designation to skirt funding caps through 2021. The House budget used this tactic for 2016 only.
- Non-defense: Cuts discretionary funding through 2025 by \$496 billion below sequester-level caps. The House budget cut \$759 billion below these caps.
- Reconciliation: Applies only to committees with jurisdiction over the Affordable Care Act. The House budget gave reconciliation instructions to nearly every authorizing committee.
- Medicare: Cuts \$431 billion over ten years. The House budget had gross cuts of \$316 billion.
- Medicaid: Cuts roughly \$0.5 trillion. The House budget cut \$0.9 trillion.
- Income security: Cuts \$300 billion from Agriculture Committee programs. The House budget cut roughly \$200 billion. The Supplemental Nutrition Assistance Program (SNAP) is the largest spending program in this Committee's jurisdiction and appears to be the primary target of this cut.
- Changes in mandatory programs (CHIMPS): Puts limits on the use of CHIMPS in appropriations bills, further reducing the amount of discretionary funding that can be provided. The House budget did not impose similar limits.
- Baseline: Uses Congressional Budget Office (CBO) March baseline assumptions, which improves the deficit outlook. The House budget used the January baseline.

Raises taxes on American workers and families — The conference agreement does nothing to help boost paychecks of American families, continuing to favor wealth over hard work instead of providing supports for Americans to work, go to college, and raise their children. Rather than make the tax code work for middle-class Americans, the Republican budget actually will increase taxes for millions of Americans. It ends the American Opportunity Tax Credit that helps millions of families afford college, and it lets vital improvements to the Earned Income Tax Credit (EITC) and the Child Tax Credit expire. It even refuses to take the bipartisan step of increasing the EITC for working adults without children.

Takes away health insurance from more than 16 million people — The conference agreement repeals the Affordable Care Act (ACA), despite the law's success over the past five years in expanding coverage to 16.4 million uninsured Americans and reducing the uninsured rate to the lowest level on record. The agreement eliminates tax credits that families have received to purchase insurance, reverses Medicaid expansions in 29 states and the District of Columbia, and cuts off millions of young adults from their parents' plans. Once again, Americans will be at the mercy of insurance companies who will be able to deny coverage or charge higher premiums based on pre-existing conditions, impose annual or lifetime limits, and spend more of their premium dollars on CEO bonuses.

Hurts current retirees in Medicare — The conference agreement increases costs to current seniors by repealing Medicare benefit improvements in the ACA. Since the ACA was enacted, 9.4 million seniors have saved more than \$15 billion on prescription drugs, thanks to a provision in that law that closes the Part D coverage gap, or “donut hole.” If Republicans had succeeded at one of their numerous prior attempts to repeal the ACA, nearly 5.1 million seniors and people with disabilities in Medicare would have paid an additional \$4.8 billion – or an average of \$941 per beneficiary – for their drugs in 2014. Overall, the conference agreement reduces Medicare spending by \$431 billion over ten years – the level of savings endorsed in the President’s budget – without endorsing any specific policies.

Hurts future retirees by ending the Medicare guarantee — The conference agreement retains House language endorsing a plan to shift the risks of growing health care costs onto seniors by converting Medicare into a voucher program. Under this plan, future Medicare beneficiaries would receive a fixed premium-support payment (or voucher) toward the purchase of either a private health plan or traditional Medicare. Past Congressional Budget Office (CBO) analyses of these types of plans indicate that a Medicare voucher program can be reliably estimated to reduce federal Medicare spending significantly over the long term only if it also markedly increases costs to beneficiaries.

Hurts the most vulnerable Americans by weakening the safety net — The conference agreement cuts more than \$1 trillion from important protections for low-income Americans.

- **Medicaid:** The agreement block-grants Medicaid and slashes funding by about \$0.5 trillion over ten years (in addition to cutting \$0.8 trillion by repealing the ACA Medicaid expansion). Block-granting Medicaid undermines the health care safety net for 70 million Americans including seniors, persons with disabilities, and more than one in every three children. The policy poses significant risks to beneficiaries who receive long-term services and supports. Medicaid is the primary payer for long-term care in the U.S., and 60 percent of people living in nursing homes depend on the program to cover their costs. In 2012, CBO analyzed a Medicaid block-grant proposal in a previous budget and explained that states may decide to limit eligibility for Medicaid, scale back benefits, cut reimbursement rates, or increase out-of-pocket costs.
- **Income security:** The conference agreement cuts nearly \$600 billion from mandatory programs in the income security function, which includes programs that help some of the most vulnerable Americans. The agreement suggests savings can come from reducing waste and empowering states – channeling the House Republican budget’s Supplemental Nutrition Assistance Program (SNAP) block-grant proposal, but with more drastic reductions. The House budget reduced SNAP spending by one-third during the period its block grant would be in effect. While the House budget cut roughly \$200 billion from programs within the jurisdiction of the House Agriculture Committee, the conference agreement calls for \$300 billion in such cuts. SNAP is the largest component of that Committee’s jurisdiction, and it is clear that the vast majority of the

\$300 billion cut would come from SNAP based on the conference agreement's cuts in the other major functions with programs overseen by the Committee. There is simply no way to achieve savings of this magnitude in SNAP without greatly reducing benefits or pushing many more people from the program.

- **Social Security:** The conference agreement incorporates a change in House Rules that would prevent Social Security from using even a penny of its existing resources to prevent cuts in disability benefits unless Congress also approves some benefit cuts.

Cuts funding for veterans' programs below President's request — The conference agreement cuts discretionary funding for veterans' programs below the President's request by \$1.9 billion for 2016 and \$20 billion over ten years, making it more difficult for the Department of Veterans Affairs to provide timely access to quality health care and other benefits and services.

MANDATORY CUTS ALLOCATED TO HOUSE COMMITTEES 10 YEAR OUTLAY SAVINGS (in billions of dollars)	
Agriculture.....	-300
Education and the Workforce.....	-230
Energy and Commerce.....	-1,369
Financial Services.....	-62
Homeland Security.....	-19
House Administration.....	-*
Judiciary.....	-23
Natural Resources.....	-32
Oversight and Government Reform.....	-194
Veterans Affairs.....	-2
Ways and Means.....	-1,594
* Less than \$500 million	

Disinvests in the Future

Guts strategic investments —The conference agreement maintains the sequester-level discretionary funding caps for 2016, slashing non-defense funding by \$37.3 billion below the comparable President's request. The amount available under the 2016 non-defense cap is \$2 billion lower than the 2015 level after accounting for the effect of advance appropriations for veterans' programs already provided for 2016. From 2017 through 2025, the agreement abandons the Budget Control Act (BCA) premise of the sequester producing equal deficit reduction from both defense and non-defense programs; it cuts non-defense funding by an additional \$496 billion below the sequester-level austerity caps. As a share of the economy, funding for these strategic national investments in 2025 will fall 35 percent below the lowest

level seen in the last 50 years. The conference agreement squeezes non-defense funding even further by putting increasingly tighter limits on the use of savings from “changes in mandatory programs” – so-called CHIMPS – in appropriations bills, further reducing the amount of non-defense discretionary funding that can be accommodated within the resolution’s levels.

The 2016 cuts in the conference agreement would have dire consequences for the country. According to the Administration, real pre-K-to-12 per pupil education funding would fall to its lowest levels since 2000, and real research and development funding would fall to its lowest level since 2002, except for 2013 when large sequestration cuts also took effect. The Administration estimates that relative to the President’s request for 2016, the budget’s funding level will lead to harmful outcomes such as 46,000 children losing access to Head Start, 2.4 million fewer workers receiving job training and employment services, and thousands fewer medical and scientific research grants, if the Republican budget cuts are spread proportionately based on their allocations for each appropriations bill. (See page 8 for a discussion of the gimmicks used in the budget to fund defense programs well above the sequester-level caps.)

Disinvests in education, increasing student debt — Even though student loan debt already exceeds \$1.3 trillion – more than the total of all credit card debt – the conference agreement guts current policy support for higher education by about \$200 billion over ten years. It lets the American Opportunity Tax Credit expire after next year, eliminating a \$2,500 tax credit that helps more than 10 million low- and moderate-income students pay for college each year. On top of discretionary spending cuts to education – and another \$575 billion of unallocated discretionary cuts that could fall on education or any other non-defense program – the conference agreement also cuts mandatory education spending by almost as much as the House-passed budget. Those cuts in the House budget make college more expensive by freezing the maximum Pell grant forever, eliminating nearly \$85 billion for Pell grant increases that Congress already enacted and paid for. The House budget also increases student debt by making federal student loans significantly more expensive for low-income students and cutting existing debt repayment plans.

Abandons America’s crumbling infrastructure — The conference agreement makes deep cuts in transportation funding – \$235 billion over ten years – crippling efforts to maintain and expand our transportation infrastructure and putting hundreds of thousands of jobs at risk. The cuts total 26 percent over ten years.

Rejects immigration reform — Once again, the budget rejects comprehensive immigration reform, despite widespread agreement that our immigration system is broken. Immigration reform would expand the size of the U.S. workforce, and in turn would increase the size of the economy and reduce deficits. By rejecting reform, the budget squanders an opportunity to reduce deficits by an estimated \$900 billion over the next two decades, boost the economy by 5.4 percent, and extend the solvency of Social Security.

Undermines federal workforce — The conference agreement continues the Republican attack on federal employees by cutting their pay and benefits. The budget includes \$194 billion in spending cuts over ten years from programs under the jurisdiction of the House Oversight and Government Reform Committee. Pensions and health benefits for federal and Postal Service retirees make up most of the spending overseen by this Committee. These ill-conceived cuts target the very people who perform important functions for the public, such as securing our borders, caring for veterans, conducting basic scientific research that helps power the economy, stopping outbreaks of infectious diseases such as Ebola, and keeping our food supply safe. This budget treats these hard-working and dedicated men and women like a piggy bank.

Includes Harmful Fast-Track Procedures and Accounting Changes

Uses reconciliation process to repeal the ACA — The conference agreement allows fast-track consideration of legislation to repeal the ACA, taking away health insurance from millions of families. The budget does this through reconciliation instructions requiring the five House and Senate committees with jurisdiction over the ACA to achieve \$1 billion each in deficit reduction over ten years by cutting spending or increasing revenues under their jurisdiction. The affected House committees are Education and the Workforce, Energy and Commerce, and Ways and Means. The levels are a floor, not a ceiling, of the amount of savings the committees must approve by July 24 to be then packaged into one reconciliation bill. Reconciliation bills receive special protections to ease their passage, since they were designed to reduce the deficit and often contain items that would be difficult to pass piecemeal. Ironically, the conference agreement that purportedly aims to eliminate deficits also changes Senate rules to allow reconciliation bills to increase the deficit.

Unfairly changes scoring rules for credit programs — The conference agreement adopts so-called “fair value” scoring in the House, although it does not mandate it for the Senate. Some prominent budget experts oppose this new approach, arguing that it does not accurately reflect the government’s costs and risks for credit programs, the two largest of which are Federal Housing Administration loans and student loans. “Fair value” scoring assumes an additional cost of risk to all loans that will make federal credit programs appear to be more expensive than they are in the federal budget, making it harder to undertake new initiatives in these programs to help families struggling to pay for education or buy a home. But Republicans in the House and Senate failed to agree, creating the situation where legislation could have one official score for the House using “fair value” estimates and a different official score for the Senate using the scoring methodology mandated under budget law.

Builds Phony Claim of “Balance” on Shaky Foundation of Huge Gimmicks

Counts ACA savings that the budget claims to repeal — The conference agreement supposedly repeals the ACA, but the budget numbers include all of the more than \$2 trillion worth of Medicare savings and revenues from the health law. The budget only repeals the parts of the law providing access to affordable health coverage, strengthening patient rights, and improving Medicare benefits. If this budget actually reflected full repeal, it would fall short of reaching balance in 2024 and 2025 by several hundred billion dollars.

Counts on unrealistic, unspecified non-defense funding cuts — In order to appear to reach budget balance, the conference agreement slashes non-defense discretionary funding by \$496 billion below the already inadequate sequester-level austerity caps over ten years. The budget’s austerity-on-steroids approach even includes a cut in nominal dollars for non-defense programs, from \$493 billion in 2016 to \$477 billion in 2017. By 2025, the budget cuts non-defense discretionary funding by 21 percent below the amount required to maintain purchasing power at the 2015 program level. While it is easy to reject “government spending” in the abstract, non-defense appropriations provide important government services that Americans need and want, including homeland security and veterans’ health care. The conference agreement does not specify how most of these cuts are allocated across programs. Instead, it puts \$575 billion in cuts over ten years in a placeholder part of the budget (Function 920, Allowances) to avoid revealing which vital funding priorities will be hit. Eventually, either the Republican-controlled Congress will do serious damage to important services and investments provided by the federal government, or Republicans will get realistic and walk away from these impossibly deep cuts.

Cooks the books using dynamic scoring — The conference agreement includes a requirement that the House use so-called dynamic scoring to measure the budget impact of major tax bills, as envisioned in the House Rules that Republicans put in place earlier this year. Dynamic scoring involves the incorporation of the macroeconomic effects of legislation into its official score. These effects are highly uncertain but likely to be modest if properly estimated. But many outside groups have presented fanciful scores suggesting that Republicans’ proposed tax cuts would have dramatic impacts. The new scoring rule could open the door to Congressional Republicans mandating the use of wildly optimistic methods and cost estimates. The fact that the resolution simultaneously asserts that it assumes \$1 trillion or more in tax cuts, no tax increases, and no changes in total revenues implies that it also assumes dramatic and unrealistic savings from dynamic scoring.

Uses dishonest accounting of the cost of extending expiring tax provisions and Republican tax cuts for the wealthy — The conference agreement relies on about \$900 billion of revenues as various provisions of the tax code expire over the next ten years, but Republicans have already approved more than \$300 billion in unpaid-for tax extensions, and the budget seeks to make it official policy that extensions of expiring tax provisions do not have to be paid for. The

conference agreement also assumes all the revenue from the estate tax, even though the House just passed a bill to repeal the estate tax – a \$269 billion giveaway to just 5,500 of the wealthiest families in the country – without closing a single special-interest loophole to pay for it.

Expands the abuse of the Overseas Contingency Operations (OCO) designation — The conference agreement reflects the BCA’s sequester-level caps for the national defense budget (Function 050) for 2016 through 2021, but it lards an extra \$187 billion into the OCO budget over that period to skirt the defense caps in place during those years. Both the House and Senate resolutions added \$38 billion above the President’s OCO request for 2016 to avoid having to raise the funding cap for defense, but they had no OCO increases beyond that year. House Republicans had indicated they would amend the BCA to increase the defense funding caps beyond 2016. Instead, the conference agreement makes a mockery of the budget process by providing \$187 billion above the President’s request for OCO with the intention of using the funds for unrelated defense needs. This move signals Republicans’ willingness to make the OCO budget a permanent loophole to get around funding caps rather than amend the law in an open and transparent manner. Just one year ago, House Republicans criticized the abuse of the OCO loophole and stated in the report that accompanied their budget resolution that it “undermines the integrity of the budget process” and that the Budget Committee would “oppose increases above the levels the Administration and our military commanders say are needed to carry out operations unless it can be clearly demonstrated that such amounts are war-related.” That was a strong statement in support of the budget process and fiscal responsibility. This conference agreement supports neither.

Conclusion

The Republican budget conference agreement does not reflect the priorities and values of this country. It sends a clear message to the American people: be prepared to work even harder and get even less for your efforts. The conference agreement raises the tax burden on working families while showering more tax giveaways on those at the top. It takes away health insurance from millions of families, leaving them to fend for themselves if a family member gets sick. It puts America on a path of economic decline by gutting the very investments in education, infrastructure, research, and other areas that have helped power U.S. economic growth for decades. The conference agreement makes it harder to afford a college education, harder to support a family, and harder to have a secure retirement. The conference agreement imposes all of this harm in the name of deficit reduction, yet Republicans refuse to get rid of even one special-interest tax break to help reduce the deficit. And despite trillions of dollars of harmful spending cuts, the conference agreement in fact does not come close to reaching balance once its gimmicks and smoke and mirrors are factored in. Republicans squandered an opportunity to craft a realistic budget that invests in the future, protects the most vulnerable, and boosts the economy to create more broadly shared prosperity.