



COALITION ON HUMAN NEEDS

The Human Needs Report

July 15, 2011

IN THIS EDITION

BUDGET: Closer to the Brink in Order to Save Tax Cuts for the Rich

A Shift in Balanced Budget Amendment Strategy

HEALTH CARE: Threats to Medicaid Continue as Deficit Negotiations Intensify

JUVENILE JUSTICE: Juvenile Justice Programs Take a Big Hit; VAWA and Mentoring Programs Protected, For Now

IMMIGRATION: E-Verify Bill Will Cost Americans Jobs; Senate Judiciary Committee Holds Historic DREAM Act Hearing

WE APPRECIATE YOUR INPUT

Give us your thoughts on our Human Needs Report or any of our other services at feedback@chn.org.

PLEASE VISIT THE COALITION ON HUMAN NEEDS JOB ANNOUNCEMENTS PAGE (<http://www.chn.org/jobs/index.html>) about employment opportunities and the Calendar of Events (<http://www.chn.org/events/index.html>) on upcoming conferences, briefings, and meetings.

Closer to the Brink in Order to Save Tax Cuts for the Rich

Chairman of the Federal Reserve Board Ben Bernanke told the Senate that failure to extend the federal authority to borrow would be a “calamitous outcome.” Both Moody’s and Standard and Poors said they were more likely to lower the U.S. credit rating if a deal to raise the debt ceiling was not reached – an act that would cost taxpayers hundreds of billions of dollars in higher interest payments. But although the Obama Administration has agreed to huge cuts in spending over the next ten years, including reductions in benefits in Medicare, Medicaid, and Social Security, that deal is not good enough for the Congressional Republican leadership to agree to

raise the debt ceiling. Why not? President Obama and Democrats in Congress have insisted on including corporate and upper income revenue increases as part of a deficit reduction plan.

The Republican leadership in both the House and Senate has been unyielding in rejecting revenue increases as part of this package. House Majority Leader Eric Cantor (R-VA) walked out of talks with Vice President Biden because he would not consider revenues. House Speaker John Boehner (R-OH) called for less deficit reduction by proposing about \$2.5 trillion in spending cuts and leaving out the revenue increases in the Obama Administration's \$4 trillion plan. Senate Minority Leader Mitch McConnell (R-KY) predicted no deficit reduction deal was possible because the President was insisting on increased revenues. While opponents of revenues stress concern about the weak economy, the Administration has pointed out that it does not favor increasing taxes now; the increase would not be sooner than 2013. Further, opponents of revenue increases seem immune to concerns about the impact of drastic reductions in services or benefits, although most economists recognize that government spending plays an important role in boosting the economy as well as in alleviating hardship.

After a tense week of negotiations between Congressional leaders and the White House, President Obama is reported to have presented the leaders with three options to take back to their members: 10-year deficit reduction targets of \$4 trillion, \$2 trillion, or \$1.5 trillion, with the smallest one lacking both revenue increases and broad cuts to Medicaid and Medicare. The President has asked for a report back within 24 to 36 hours (sometime Saturday, July 16). If the description of the \$1.5 trillion option is accurate, it would show more clearly than past public stances that the President would be willing to give up on increased revenues under certain circumstances. Such a deal would emphasize cuts in annually appropriated programs, which include education, job training, low-income housing and home energy aid, community development, environmental protection, certain services for children and seniors, some nutrition, public health and medical research programs, and military and veterans' spending. Few hints have emerged about what the cuts would be, and, in fact, it is not likely that details would be spelled out. Instead, there would be spending targets that would have to be worked out in annual appropriations bills or through legislation changing the rules under which programs like Medicaid or Medicare operate. But even without details, \$1 trillion or more in spending cuts could not be achieved without reducing services needed by low/moderate income people. To the extent that cuts were shared among military and domestic programs, the hardships for vulnerable people would be lessened.

Moving to Plan B? As the testy negotiators edged closer to the brink, Senate Minority Leader McConnell proposed a fall-back position. His plan would require the President to submit three separate increases in the debt ceiling to Congress between now and June 2012, adding up to \$2.4 trillion (enough additional borrowing authority to get past the 2012 election). Congress could vote to disapprove those increases, but the President could veto, and therefore would prevail as long as both House and Senate could not muster two-thirds majorities to override. At the same time, the President would be required to submit plans to cut spending. Although the first version of the McConnell plan did not require Congress to agree to those or any other spending cuts, discussions with Majority Leader Harry Reid (D-NV) are said to be modifying that to expedite votes on spending reductions, and/or to establish a legislative committee that would recommend entitlement cuts that Congress would have to take up. Although McConnell included only

spending cuts in his initial plan, other ongoing bipartisan Senate negotiations have supported revenue increases as well as spending cuts; it is not clear whether further modifications in this back-up proposal would allow consideration of increased revenues.

Senator McConnell was explicit in making the case for his plan on partisan political grounds. He said on the *Laura Ingraham Show** on July 13, “The reason default is no better idea today than when Newt Gingrich tried it in 1995, is it destroys your brand and would give the president opportunity to blame Republicans for (a) bad economy. Look, he owns the economy. He’s been in office almost three years now and we refuse to let him entice us into co-ownership of a bad economy.” Requiring the President to request three rounds of debt ceiling increases would either give him “ownership” of something unpopular while a majority in Congress could vote no or show him to be a responsible leader, depending on one’s point of view.

Recent polls show large majorities of Americans support increased taxes on upper-income people and corporations as part of a deficit reduction plan. In a [Quinnipiac University Poll](#) conducted from July 5-11, 67 percent agreed that a deal to raise the debt ceiling should include both spending cuts and an increase in taxes for the wealthy and corporations; only 25 percent supported only spending cuts.

Whatever the politics, the tentative McConnell-Reid plan would result in raising the debt ceiling and avoid the calamity predicted by Ben Bernanke. Interest in this approach is growing because other alternatives do not seem to be near agreement.

*As cited on [The Daily Show with Jon Stewart](#), July 14, 2011

A Shift in Balanced Budget Amendment Strategy

One day after announcing a vote on an extreme constitutional amendment to require a balanced budget (BBA) on July 20, the House leadership switched gears to postpone that vote indefinitely. Instead, the House will take up legislation sponsored by Rep. Jason Chaffetz (R-UT) that combines immediate spending cuts and caps and an increase in the debt ceiling, but makes the debt ceiling increase contingent on passing a balanced budget amendment and sending it to the states for ratification. The legislation is said to be similar to the Cut, Cap, and Balance Act of 2011 (S. 1340), sponsored by Senator Mike Lee (R-UT), which, like the balanced budget amendment now withdrawn, would require an extreme spending cap of 18 percent of GDP. That cap is so restrictive it would require cutting Medicaid, Supplemental Security Income, and SNAP/food stamps in half over ten years, and force 70 percent cuts in domestic appropriations.

It appears that the House Republicans, recognizing that they do not have the two-thirds majority needed to pass the constitutional amendment they planned to put to a vote on July 20, instead will use the time to show unity with the most conservative Republican caucus members, who have circulated a “Cut, Cap, and Balance” pledge.

With so little time left to agree upon a means of increasing the debt limit (see *Closer to the Brink in Order to Save Tax Cuts for the Rich* in this issue), linking the increase to a constitutional amendment to balance the budget does not seem like a stance most likely to get the

job done. It would however allow House members to go on record in support of extreme reductions in federal spending.

For more information about the balanced budget amendment that has been pulled from floor action (H.J. Res 1) see the June 17 [Human Needs Report](#).

Companion BBA legislation in the Senate (S.J. Res 23) sponsored by Minority Leader McConnell (R-KY) is co-sponsored by every Republican Senator and no Democratic Senators. It may be taken up in the Senate during the week of July 18. Constitutional amendments would require a two-thirds vote in both the House and Senate in order to be forwarded to the states for ratification. In the past, balanced budget amendments have passed the House and come within one vote of passing the Senate, in part because the vote is seen as a symbolic way of demonstrating support for fiscal restraint. With votes so close in 1990s, human needs advocates do not see the BBA vote as symbolic. Nearly 250 national organizations sent a [letter opposing the BBA](#) (<http://www.cbpp.org/OpposeBBA.html>) on July 13; hundreds of additional state and local group signers are being collected, and their names will also be distributed to Congress.

Threats to Medicaid Continue as Deficit Negotiations Intensify

Members of Congress, along with President Obama and Vice President Biden are continuing to craft a deficit reduction plan that may include cuts to Medicaid. The most recent negotiations have focused on President Obama's proposal (<http://www.whitehouse.gov/the-press-office/2011/04/13/fact-sheet-presidents-framework-shared-prosperity-and-shared-fiscal-resp>) which would cut federal Medicaid spending \$100 billion over the first 10 years. Under the House-passed budget plan, Medicaid would be cut by \$1.4 trillion by 2021, including repeal of the new health care law. That is about a one-third reduction in federal support.

Cuts to Federal Medicaid spending as proposed by the Administration would likely take shape in one of two ways, blending Federal matching formulas (FMAP) or phasing out "provider taxes". Unfortunately both proposals shift costs to states and beneficiaries and do not actually make the program more efficient or provide better care. Under the proposal to blend FMAP, the Federal government would replace the current formulas with one single match rate. Under current law, federal funding for Medicaid matches state contributions, and varies both depending on the rate set for specific programs (like the Children's Health Insurance Program) and on the states' per capita income. Blending matching formulas would essentially provide one match rate for each state.

But this is not only about streamlining formulas; funding would be subtracted from the new rate, so states would receive less money than under the old system. The Center on Budget and Policy Priorities details how this proposal would translate here (<http://www.cbpp.org/cms/index.cfm?fa=view&id=3521>). The second source of Medicaid cuts could be done through phasing out the "provider-tax" – which would limit how states raise funds to help pay their Medicaid costs. If states can no longer tax hospitals or other health care providers, they will have more difficulty meeting federal match requirements, and therefore will lose federal dollars.

Shifting health care costs to states and/or beneficiaries would be detrimental to millions of low- and –moderate income families during a particularly difficult economic period. Although the amount and means of making Medicaid cuts remains unclear, it is important to recognize that Medicaid per-patient costs are low compared with private insurance; there is not much room to cut without depriving people of services or asking them to pay more.

Juvenile Justice Programs Take a Big Hit; VAWA and Mentoring Programs Protected, For Now

On Wednesday, the House Appropriations Committee approved a bill that includes \$3 billion in cuts to the Justice Department. The plan created by Rep. Frank Wolf (R-VA) and his Commerce, Justice, Science appropriations subcommittee is dramatic, slashing funding for state and local law enforcement assistance by over \$1 billion and cutting juvenile justice programs severely. The full House is expected to vote on the bill before the August recess.

The bill eliminated funding for Juvenile Justice Demonstration Projects, the Juvenile Accountability Block Grants (JABG) and Title V Local Delinquency Prevention Grants. According to Fight Crime, Invest in Kids, these three programs were funded at \$211 million in FY 2010. In the current year, Congress has already dropped funding for the Demonstrations Projects (\$91 million in FY 2010); the other programs totaled \$100 million in this fiscal year.

In addition, spending for Juvenile Justice Delinquency Prevention formula grants to states was cut to \$40 million, \$22 million lower than the FY11 spending level and \$35 million below FY10.

Wolf stated that he and his subcommittee do not think that funding the JJDP Act is an effective use of Justice Department money.

The cuts will reduce support for local juvenile justice programs. JABG funds are provided as block grants to states for programs that provide comprehensive services for youth, renovate facilities, increase court or justice personnel, improve information-sharing, and other system improvements. Similarly important, Title V grants focus on preventing youth at risk and non-serious offenders from entering the juvenile justice system. Byrne Justice Assistance Grants were the only winners, receiving \$15 million to prevent delinquency, assist victims of crime and improve criminal justice.

One area that fared better was Mentoring, maintaining the current year's \$83 million funding level (although this too is reduced from the FY 2010 funding of \$100 million).

In another funding area of concern to low-income people, the Legal Services Corporation was also cut by over \$100 million from the FY11 level, \$150 million below the President's request.

The Violence Against Women Act (VAWA) programs received funding close to FY11 levels, including \$3 million for the Children and Youth Exposed to Violence program, which provides grants to projects that seek to mitigate the effects of domestic violence, dating violence, sexual assault and stalking of children and youth.

According to Rep. Wolf, despite the reduction in funding, the bill puts priority on “proven, highest priority programs” including violence against women programs, Byrne Grants, and missing and exploited children programs. However, the deep cuts to juvenile justice will be keenly felt throughout the nation.

At this time it is unclear whether the Senate CJS appropriations subcommittee, chaired by Senator Mikulski (D-MD), will work on a subcommittee bill or whether they will be taken up in a conference or omnibus.

E-Verify Bill Will Cost Americans Jobs; Senate Judiciary Committee Holds Historic DREAM Act Hearing

While Georgia’s system of verifying the immigration status of workers is wreaking havoc on the state’s agriculture industry, House Republican Lamar Smith (TX) has introduced his own national version of this approach – the Legal Workforce Act (H.R. 2164). It will be taken up in the House Judiciary Committee in the coming weeks. Smith has touted this bill as a jobs creation program, but looking at the states that have passed similar legislation, it becomes clear that this is not a jobs creation program, but rather, a route to economic disaster. In Georgia, farm workers have fled and new workers simply are not coming into the state after its passage of a similar bill. Due to this shortage in harvest labor, crops are spoiling, businesses are losing money, and prices are going up.

E-Verify is the federal government’s Internet-based system that attempts to verify workers’ eligibility by cross-checking a potential employee’s information with the Social Security Administration and the U.S. Citizenship and Immigration Services databases. Lamar Smith’s bill would make it mandatory for all employers in the United States to use E-Verify before hiring any new employees. Currently, only 4% of businesses use the system, and increasing this number to 100% will be very costly. [The Center for American Progress estimates \(http://www.americanprogress.org/issues/2011/06/pdf/e_verify.pdf\)](http://www.americanprogress.org/issues/2011/06/pdf/e_verify.pdf) that this bill will cost employers \$2.6 billion annually, on top of additional first year startup costs. To operate, it will cost the Social Security Administration and the Department of Homeland Security a minimum of \$1 billion over five years.

Furthermore, the E-Verify system has considerable flaws. If E-Verify were made mandatory, it is estimated that 3.5 million workers would be forced to resolve an erroneous rejection because of system errors. Resolving these errors would translate into a jobs “tax” of \$190 for workers who had to produce documents to show they were legally employed. Many legal workers would not be successful in disputing their rejection, resulting in an estimated 770,000 legal workers, including U.S. citizens, losing their jobs due to system errors. The system has even greater error rates when screening unauthorized workers, catching only 46% of illegal workers. . With errors so rampant in the E-Verify system, analysts question whether the cost to business, workers, and government is justified by the results.

The DREAM Act: On the other side of the immigration debate, on Tuesday, June 28th, the Senate Committee on the Judiciary held the first-ever hearing on the DREAM Act, which was first introduced ten years ago in 2001 by Senator Hatch (R-UT). The DREAM (Development,

Relief, and Education for Alien Minors) Act offers young individuals who came to the United States illegally as minors, age 15 or younger, a chance to gain legal status and citizenship if they meet a stringent set of criteria and attend college or enroll in the military. In last year's 111th Congress, the DREAM Act fell just five votes short of passage in the Senate after it was successfully passed in the House. Notable witnesses at Tuesday's hearing included Secretary of Homeland Security Janet Napolitano, Secretary of Education Arne Duncan, and Under Secretary of Defense Dr. Clifford Stanley.

At the hearing, the witnesses focused on the military and economic benefits of the Act. If passed, the bill would reduce the deficit by \$1.4 billion over 10 years and enable talented students to fill the more than 1.8 million vacant jobs in science and engineering. In addition to generating more revenue, this act would significantly reduce the criminal justice and social services costs to taxpayers. The DREAM Act would also significantly enlarge the pool of recruits for the United States military, which is expecting a sharp decline in enrollment when the economy eventually recovers. While this hearing does help to refocus a fading light on immigration reform, it does little more. It is extremely unlikely that any federal immigration reform legislation will be passed before the 2012 elections, as the Democrats will be unable to overcome a filibuster of the bill.