COALITION ON HUMAN NEEDS

The Human Needs Report

April 14, 2014

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Chairman Ryan's Budget Plan Passes the House, Hitting the Poor Harder than Ever

Last year, 66 percent of the cuts in House Budget Committee Chair Paul Ryan's (R-WI) budget were to low-income programs. This year, the proportion hitting the poor rose to 69 percent, as estimated by the Center on Budget and Policy Priorities. Its largesse, on the other hand, flows disproportionately to millionaires, to corporations, and to the Pentagon. These priorities in the FY 2015 Budget Resolution were endorsed exclusively by House Republicans, who provided all 219 favorable votes. The budget was opposed by 205 House members (193 Democrats and 12

Republicans). The vote was on the last of a series of alternative budget plans debated in the House on April 9 and 10.

Ryan Budget Cuts (in billions of dollars)	FY 15-24
Medicare (Net)	-129
Medicaid and Other Health	-732
Repealing Health Care Law	-2,066
Other Mandatory (includes $137b SNAP cut)	-966
Domestic discretionary*	-791
Defense discretionary*	+483
Net discretionary*	-308
Net Interest:	-783

**Discretionary figures are budget authority compared to funding levels if sequestration cuts were imposed starting in FY 2016. Mandatory programs are outlays. All from Ryan budget.*

What Does a Budget Resolution do? The Congressional Budget Resolution is an outline providing total figures for annual appropriations and including policy recommendations. Usually, the only parts of the Resolution binding on Congress are the appropriations figures, and those only become binding if the House and Senate can agree on a final version. This year, Congress had already agreed to FY 2015 totals; that occurred as part of the Murray-Ryan deal in December 2013 to end the stand-off over spending. Acknowledging that reality, Senate Budget Committee Chair Patty Murray (D-WA) announced she would not draft a Budget Resolution at all this year. But Chairman Ryan wanted to outline his vision for the future, and others in Congress wanted to show how their visions differed. Now that it has passed the House, it will not go farther, since the Senate will not act on any resolution. But it is instructive to see what differing Congressional groups envision over the next 10 years if they had the chance to make policy.

The Ryan-House Budget Committee Budget: When the two-year budget deal was enacted in December, 62 House Republicans voted against it. For them, the cuts were not deep enough. That posed a problem for Chairman Ryan and the House leadership, because they could not afford to lose more than 16 Republicans and pass a budget, assuming Democrats would vote no. This Budget Resolution won over most of the very right-wing members by promising to balance the budget in 10 years with no net new revenues. The budget purports to do this by slashing $5.1 trillion from federal spending over 10 years, dramatically diminishing the federal government's capacity to respond to need or invest in the future. Over the 10-year period of FY 15 – FY 24, revenues would total $40.6 trillion and outlays would total $40.3 trillion.

The budget assumes repeal of the Affordable Care Act. In addition, the budget would block-grant and slash Medicaid and the Children's Health Insurance Program by $732 billion, or by more than one-quarter in 2024. All told, that's 40 million people denied health insurance through 2024. The budget also cuts Medicare by $129 billion, proposing a "premium support"/voucher program expected to squeeze the federal contribution to health coverage, placing a greater burden on seniors. Ryan's budget plan as in the past would turn SNAP/food stamps into a block grant, this time starting in 2019, and cut it drastically ($137 billion over 10 years). About 150,000 children with disabilities eligible for Supplemental Security Income (SSI) would see their benefits decline. The long-term jobless would continue to be left out. The $1.7 billion per year Social Services Block Grant is eliminated: it funds low-income services like child care, certain child welfare services, and programs for seniors. Pell Grants for low-income college students would be frozen at current levels for the full 10 years, eroding their already low level (now only covering about one-third of college expenses).

It cuts discretionary programs more deeply than the continuation of sequestration would, but ***increases*** Pentagon spending by $483 billion over sequestration levels, while cutting domestic discretionary programs by a whopping $791 billion. With cuts so much deeper than sequestration, the budget would surely lead to cuts worse than the losses in rental vouchers, Head Start, senior meals, and much more that occurred in FY 2013. *(See CHN's Sequestration Impacts reports.)* At the same time, the budget proposes a massive tax reduction estimated to provide at least $200,000 to each millionaire in FY 2015 alone, even if all their other tax expenditures were eliminated. While this and corporate tax rate reductions are supposed to be offset by other tax increases, the increases are not specified, and similar proposals in the past could not be fully offset without significantly raising middle class taxes.

The other budgets debated on the House floor included the Democratic alternative offered by House Budget Committee Ranking Member Chris Van Hollen (D-MD), the Congressional Progressive Caucus budget, the Congressional Black Caucus budget, the Republican Study Committee budget, and a supposed translation of the Obama budget into budget resolution form, offered by Republican Mick Mulvaney (R-SC). Here are descriptions of most of these plans:

The House Democratic Alternative Budget: This plan would end sequestration for domestic discretionary and mandatory programs starting in FY 2016. Over 10 years, revenues would add up to $42.4 trillion, with outlays of $48.5 trillion. The budget includes President Obama's $302 billion transportation infrastructure program as part of an investment strategy for job creation. It also adds $76 billion over a decade for expanded early childhood education. The budget protects the Affordable Care Act, Medicaid, and Medicare, and would restore Emergency Unemployment Compensation. It avoids cuts to SNAP and SSI. It assumes comprehensive immigration reform takes place. It maintains low-income tax credits and includes the President's proposal to increase the Earned Income Tax Credit for low-income workers without children. It raises revenues while protecting low/moderate-income taxpayers, allowing the deficit to shrink to 2.3 percent of GDP. This budget was defeated 163 to 261, with 7 not voting. Thirty-one Democrats joined with 230 Republicans in voting down this budget. No Republicans joined the 163 Democrats who supported it.

The Better Off Budget, Congressional Progressive Caucus: The Better Off Budget demonstrates it is possible to create 8.8 million jobs by 2017 and to invest in education, infrastructure, health care, housing, and nutrition while still reducing the deficit. Its total revenues would be $47.2 trillion over 10 years, with outlays of $51 trillion. It replaces the harmful cuts of sequestration and makes new investments by closing tax loopholes that allow corporations to hide profits offshore and high-income individuals to pay lower rates than many middle-class taxpayers. The Progressive Caucus budget makes the tax code more fair, by preserving and expanding tax credits that help low-income workers while seeking more revenues from those at the top. It preserves and strengthens the Affordable Care Act, while protecting Medicare and Medicaid. The budget reverses recent cuts to SNAP/food stamps and restores Emergency Unemployment Compensation for the long-term jobless. It provides for comprehensive immigration reform, jobs, training, and supports so people can work, and protects the safety net when they cannot. It makes responsible savings in Pentagon spending and in other areas like prescription drug price negotiations and farm subsidies. This budget was defeated 89 to 327, with 15 not voting. Only Democrats supported it; 224 Republicans and 103 Democrats opposed.

The Congressional Black Caucus Alternative Budget for FY 2015: This budget also ends sequestration and would invest $500 billion over three years to create job. The budget provides for $43.2 trillion in revenues over 10 years and $49.3 trillion in outlays. The CBC alternative would provide for anti-poverty initiatives including restoring the TANF Emergency Fund and improving child care and Head Start. It would defend against further SNAP cuts and invest in improvements, would target federal resources to areas of concentrated poverty, and increase funding for education. The CBC budget increases revenues from fair sources, allowing the budget to reduce the deficit while making investments aimed at reducing pernicious economic disparities. It failed 116 to 300, with 15 not voting.

The Republican Study Committee Back to Basics Budget: This budget, produced by some of the most right-wing members of the House, cuts more massively than the Ryan budget, but with similar estimates for revenues. It would balance the budget over four years, instead of the 10-year estimate in the budget that passed. It would take in $40.6 trillion in revenues over 10 years with outlays of only $40.3 trillion, the lowest of any of the alternatives. It freezes total discretionary spending at $950 billion a year until the budget is balanced (taking it back to FY 2008 levels), while allowing Pentagon spending to rise just as the Ryan budget proposes: from $521 billion in FY 2015 to $696 billion in FY 2024. The budget includes the "chained CPI" reduced inflation adjustment for Social Security and other programs, a proposal not present in any of the other budget plans. It would include new work requirements for SNAP and require restrictions to disabilities programs. This budget failed 133-291, with 7 not voting. No Democrats voted for it; 97 Republicans joined 194 Democrats to oppose it.

In the past year, Chairman Ryan has focused on the problem of poverty in the U.S., and has promised to unveil anti-poverty proposals at some point in the future. A recent report put out by the House Budget Committee majority evaluated anti-poverty programs in the 50 years since the War on Poverty and found them wanting. The report was much criticized for inaccurately characterizing research findings about some of the programs. But even conceding that anti-poverty programs need to be improved, the House-passed Budget Resolution reduces spending on the full range of these programs by $3.5 trillion over the next decade. Evidence from past periods of poverty reduction showed a combination of broad economic growth and government steps to help the poor share in that progress. Many economists believe that the Ryan budget would make it much harder to replicate those conditions.

Senate Moves Unemployment Insurance

On April 7, after three earlier failed attempts, the Senate passed the Emergency Unemployment Compensation Extension Act of 2014 (H.R. 3979) to restore unemployment insurance for the long-term unemployed. The vote was 59-38. Six Republican Senators including Ayotte (NH), Collins (ME), Heller (NV), Kirk (IL), Murkowski (AK) and Portman (OH) joined Democrats and Independents in support of the legislation. The 5-month fully paid-for bill would assist 2.3 million workers and their families as they search for work. Many of these families have urgent needs and are desperate for the House to act soon. (See more details in the March 31 ***Human Needs Report***.)

Immediately after Senate passage, Representative Dan Kildee (D-MI), who has been a leader in pressing Speaker Boehner for a vote in the House, introduced an identical companion bill to H.R. 3979. Democrats believe that the Senate-passed bill, if allowed to reach the floor, would pass. Speaker Boehner thus far has refused to bring a bill to increase unemployment insurance to the floor even as his excuses have been addressed – the Senate bill is paid for, it does create jobs (200,000 according the Congressional Budget Office), and he has been assured by the Secretary of Labor that state agencies that retroactively restarted the program at other times can do so again.

A group of seven House Republicans (Representatives Frank LoBiondo (NJ), Peter King (NY), Jon Runyan (NJ), Chris Smith (NJ), Chris Gibson (NY), Michael Grimm (NY) and Joe Heck (NV)) have written a letter to Speaker Boehner urging him to take action. The letter reads in part, "Today, a bi-partisan deal was passed in the U.S. Senate that would retroactively restore unemployment benefits and extend these benefits for 5 months. As many Americans continue to struggle without benefits, we respectfully request that the House immediately consider this bill or a similar measure to restore unemployment benefits to struggling Americans."

According to the latest jobs report from the Bureau of Labor Statistics, in March 3.7 million people were unemployed for 27 weeks or longer (state insurance typically lasts 26 weeks), and they made up about 36 percent of the jobless workers.

Congress is on a two-week recess. When they return on April 29 it will be imperative that the House acts quickly to restore these urgently needed benefits for long-term unemployed workers.

FY 2015 Appropriations Process Off to an Early Start

The appropriations process for providing FY 2015 funding has begun. The process is starting earlier this year and, by some accounts, it should be easier for each of the 12 appropriations subcommittees to produce their bills since the overall funding levels for FY 2014 and FY 2015 were determined in the December Murray/Ryan budget deal (PL 113-67). The bill set funding for FY 2014 at $1.012 trillion and for FY 2015 at $1.014 trillion. It also set a 'firewall' between defense and non-defense spending, allocating $521.3 billion for defense and $492.4 billion for non-defense for FY 2015, with appropriators prohibited from shifting from one to the other. However, passage of the FY 2015 bills will not be easily accomplished. The $2 billion increase for next year over current funding is well below the amount needed to account for inflation and the demands for more funding for programs like veteran's health.

Appropriations Committee Chairs Senator Barbara Mikulski (D-MD) and Representative Harold Rogers (R-KY) have both endorsed the goal of passing all twelve bills in their respective chambers this summer, resolving their differences and enacting the bills into law before the start of the new fiscal year on October 1. This so-called 'regular order' process has not occurred since 1996 (for FY 1997) and many doubt that this year will break the pattern, necessitating a stop-gap continuing resolution to keep the government funded. Political dynamics will likely make it difficult to pass the more contentious bills. Conservative Republicans in the House have indicated an unwillingness this time to refrain from using the bills as a way to press for divisive policy changes. They were pressured not to insist on policy riders when the Appropriations Chairs were working feverishly to complete the FY 2014 Omnibus spending bill (PL 113-76) in January.

The House began consideration of its appropriations bills on April 9. They passed in Committee two of the least controversial bills by voice vote, the $71.5 billion (also $93.5 billion in mandatory funding) Military Construction-Veterans Affairs and the $3.3 billion Legislative Branch bills. Democrats objected to Republicans moving forward because usually no bills are passed in Committee before appropriators agree on subdividing the top line discretionary spending amount ($1.014 for FY 2015) among the twelve subcommittees (called the '302(b) allocations). Typically this happens after the non-partisan Congressional Budget Office (CBO) 'scores' (determines current year spending and forecasts its impact on the next fiscal year) the Administration's budget. The CBO is expected to release that information on April 17. Rather than wait, Republican appropriators used 'interim' allocations for the two bills that passed.

Senate will begin marking up bills in the Appropriations Committee in May and plan to use the time promised by Majority Leader Harry Reid (D-NV) for full Senate consideration in June and July. It is likely that some of the more controversial bills will not reach final passage by October 1 and will be stalled because of perennial partisan fights in areas likely to include environmental regulations, the Affordable Care Act and contraception. Whatever is not enacted through regular order will have to be funded through temporary funding measures until an omnibus bill providing for all the remaining program areas is passed.

Tax (Cut) Extenders Pass Senate Finance Committee

Every year or two Congress acts to extend dozens of temporary tax cuts known as "extenders" that have expired or are scheduled to expire. On April 3, the Senate Finance Committee passed by a voice vote a retroactive 2-year package of tax extenders for 2014 and 2015 that expired at the beginning of this year. Business and energy tax breaks comprise approximately 90 percent of the tax extenders with the remaining going to individuals. These tax cuts are routinely extended without scrutinizing their merit. Congress has no appetite for offsetting the approximately $85 billion cost of renewing these tax cuts by increasing other revenues or cutting spending. In contrast, Republicans are currently demanding that extending unemployment insurance be paid for by service cuts.

The largest individual tax break allows taxpayers to deduct property and income taxes paid to state and local governments from their federal income tax. Other individual tax breaks include mortgage debt forgiveness, deductions for tuition and fees for higher education, out-of-pocket expenses for teachers for classroom materials, and transit and parking deductions for commuters.

Large corporations are the biggest beneficiaries of the tax expenditures. The most expensive, costing $281 billion over 10 years is bonus (or 'accelerated') depreciation, allowing businesses to write off the cost of investments in new equipment at a faster rate than under normal tax rules. Proponents of business tax breaks argue that they help companies create more jobs and are good for the economy. However, the non-partisan Congressional Research Service in a recent report concludes that "accelerated depreciation in general is a relatively ineffective tool for stimulating the economy." The second most expensive break is the research and experimentation tax credit with a 10-year price tag of $66 billion. Its intent is to encourage research and development. This incentive is questionable when the credit is claimed retroactively, and the lack of transparency allows some activities to qualify that likely would be found unacceptable under scrutiny.

Particularly egregious to many advocates is the corporate tax loophole that results in multinational corporations avoiding U.S. taxation. The "Active Financing Exemption" (AFE), is also known as the GE loophole because GE uses it extensively. It allows a company to shift certain profits offshore, thus delaying payment of U.S. taxes indefinitely. The 10-year loss to Treasury of the AFE is approximately $62 billion.

A new study from Americans for Tax Fairness documents the extensive lobbying done by companies and trade associations in support of business tax extenders. From January 2011 to September 2013 1,359 lobbyists (more than 1 in 10 registered lobbyists in Washington in 2013) representing 373 companies lobbied on tax extenders. GE alone had 48 lobbyists working to preserve the AFE and other tax extenders. The end result is that from 2008-2012 GE, which had $27.5 billion in profits, received $3.1 billion in federal tax *refunds* for an effective tax rate of minus 11.1 percent.

Many of the business and energy tax breaks also enjoy bi-partisan or regional support in Congress and are difficult to end. Citizens for Tax Justice and many advocates contend that some of the tax extenders should be allowed to expire. Furthermore, they are calling for Congress to offset the cost of the remaining tax extenders, noting that it is unconscionable to demand offsets for extending unemployment insurance for jobseekers while allowing often questionable unpaid for tax breaks for profitable corporations. See the Citizens for Tax Justice report for more information on tax extenders.

New Senate Finance Committee Chairman Ron Wyden (D-OR) agrees that tax extenders should be scrutinized and those deemed beneficial should be made permanent. He decried the practice of temporary extensions, asserting during the Finance Committee markup of the bill last week, "This will be the last tax extenders bill the Committee takes up as long as I'm chairman."

House Ways and Means Committee Chairman Dave Camp (R-MI) had held out hope of dealing with tax extenders in the context of overall tax reform. His retirement at the end of the year and the difficulty of passing comprehensive tax reform in the current contentious political environment has forced him to reconsider. On April 8 he held a hearing on a small number of selected business tax extenders that he wants to make permanent and suggested multiple markups on individual extenders. While Chairmen Wyden and Camp agree on ending the temporary extensions they do not agree on which tax extenders are worthy of being made permanent. An earlier draft tax reform plan developed by Chairman Camp ends some tax breaks supported by Chairman Wyden and extends others he opposes.

It is unclear when the full Senate will consider the tax extenders package. There is not a sense of urgency to pass the tax extenders as most would be claimed when filers prepare taxes early in 2015 for the current tax year. Early passage does give businesses and individuals more certainty going forward.

Paying Fair in America: Paycheck Fairness Act—Senate Republicans Block Passage

Although it has been over 100 years since the National Women's Trade Union League was established to counter the exploitation of women and secure passage of legislation regulating work conditions and minimum standards, women in America still struggle with equality in the workplace. Women today are paid on average 77 cents for every dollar paid to men. And the gap is even worse for women of color—African American women earn only 64 cents and Latina women earn only 55 cents for each dollar made by males. Not all of the disparity is caused by discrimination, but generally agreed that some portion is. Yet the Paycheck Fairness bill has come up twice in election years 2010 and 2012 and failed. Most recently, on April 9, Senate Republicans refused even to allow the Paycheck Fairness Act (S. 2199) to come up for debate. The only way to advance the legislation was to vote to limit debate on whether to bring the bill to the floor; limiting debate requires 60 votes. The legislation received 53-44 votes with all Republicans and Angus King (I-ME) voting against moving forward on the bill.

President Barack Obama spoke in favor of the bill on April 8, and showed his support for pay equity by issuing two executive orders requiring federal contractors to submit race and gender compensation data to the government and allowing federal workers to discuss their pay without reprisal.

The Paycheck Fairness Act introduced by Senator Barbara Mikulski (D-MD) amends the portion of the Fair Labor Standards Act of 1938 (FLSA)known as the Equal Pay Act of 1963 which prohibits wage discrimination by gender. The Paycheck Fairness Act was designed to strengthen the 1963 Equal Pay Act and reinforce the principal of equal work for equal pay. The Paycheck Fairness Act provisions would reinforce the law by holding employers more accountable for wage discrimination against women. Some of its key provisions include:

- Prohibiting retaliation against workers who inquire, discuss, and or disclose the wages of another employee or disclose their own wages;
- Allowing plaintiffs to recover full compensation and punitive damages and putting gender-based discrimination on the same footing with discrimination based on race or ethnicity;
- Making employers (except the federal government) who discriminate on the basis of gender liable in a civil action for compensatory and punitive damages;
- Requiring the employer to show that the pay differential is caused by something other than gender and is related to job performance and consistent with business necessity;
- Amending the Civil Rights Act of 1964 to require the Equal Employment Opportunity Commission (EEOC) collect from employers pay data regarding the sex, race, and national origin of employees for use in the enforcement of federal laws prohibiting pay discrimination; and
- Directing: (1) the Commissioner of Labor Statistics to continue to collect data on women workers in the Current Employment Statistics survey, (2) the Office of Federal Contract Compliance Programs to use specified methods in investigating compensation discrimination and in enforcing pay equity, and (3) the Secretary of Labor to make accurate information on compensation discrimination readily available to the public.

Despite the fact that women are 40 percent of the breadwinners in all households with children, it is unlikely the discussion of equal pay for equal work will be legislated anytime soon. In another attempt to get at one of the reasons women's wages are low, Democrats are expected to push the Fair Minimum Wage Act of 2013 at the end of April. This legislation that would raise the federal minimum wage from $7.25 to $10.10 an hour and tipped workers' minimum wage from $2.13 an hour to 70 percent of the federal minimum wage. Senators argue that this bill will help women and their families and give women a raise because women account for nearly two-thirds of minimum wage workers and three-quarters of all tipped workers.