COALITION ON HUMAN NEEDS

The Human Needs Report

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IN THIS EDITION

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Who's in Charge?

The 114th Congress convened on Tuesday, Jan. 6, with the Republicans controlling both chambers for the first time in eight years. Despite being the most diverse in history, this Congress is still 80 percent white, 80 percent male, and more than 90 percent Christian. Rep. John Boehner (R-OH) was reelected as Speaker of the House last Tuesday, and Rep. Nancy Pelosi (D-CA) will maintain her role as Minority Leader. Roles flipped in the Senate, where former Majority Leader Harry Reid (D-NV) will now be the Minority Leader, and former Minority Leader Mitch McConnell (R-KY) will take over the top spot. With some members retiring or losing their seats last year, and with the shift of control in the Senate, many committee rosters changed as well. Below is a rundown of the members of Congress who will lead the committees followed most closely by the Coalition on Human Needs.

Budget:

House Budget Committee: Rep. Tom Price (R-GA), a social conservative and a physician by training who has repeatedly challenged the Affordable Care Act, will chair this committee. He has said he wants to eliminate the deficit in 10 years, give states more flexibility, build on past budgets authored by Rep. Paul Ryan (R-WI) – budgets which would drastically cut human needs programs that keep people out of poverty and convert Medicaid and SNAP/food stamps into a block grant – and according to *CQ* possibly also include parts of Rep. Ryan's plan to fight poverty, which would actually increase poverty by cutting spending on federal safety net programs. Rep. Chris Van Hollen (D-MD) will remain the ranking member, or top Democrat.

Senate Budget Committee: Sen. Michael Enzi (R-WY), a conservative who has been known occasionally to reach across the aisle for agreement on legislative proposals, will chair this committee. According to *CQ*, Sen. Enzi has a "Penny Plan" to balance the budget in five years by cutting a single penny off every dollar the government spends for each of five years. Sen. Bernie Sanders (I-VT), an Independent who caucuses with the Democrats, will be the new ranking member.

Tax:

House Ways and Means Committee: Rep. Paul Ryan (R-WI), former chair of the House Budget Committee, will now head this committee. In his new role, Rep. Ryan is expected to try to pass legislation that will cut taxes for corporations and the very wealthy. House Ways and Means also has jurisdiction over Temporary Assistance for Needy Families, Unemployment Insurance, Supplemental Security Income, and child welfare programs. He is also expected to work closely with Rep. Tom Price, aligning the work of the two committees. Rep. Sander Levin (D-MI) will return to the spot of ranking member.

Senate Finance Committee: Sen. Orrin Hatch (R-UT), the former ranking member of this committee, will take over the head spot. Sen. Hatch is also committed to lowering corporate taxes. Sen. Ron Wyden (D-OR), who previously chaired the committee in the last Congress, will now be the ranking member.

For more information on tax legislation, see the related article in this *Human Needs Report.*

Appropriations:

House Appropriations Committee: Rep. Harold Rogers (R-KY) returns to his role as the head of this panel. He has a strong working relationship with Sen. Barbara Mikulski (D-MD), the top Democrat on the Senate panel. They worked closely together in crafting the FY15 federal spending package that passed Congress last December. Rep. Nita Lowey (D-NY) will return to the position of ranking member.

Senate Appropriations Committee: Sen. Thad Cochran (R-MI), who last served as the chair of this committee in 2007, returns to chair it again. He was reelected to his 7th term with votes from moderates and Democrats to beat a Tea Party primary challenger. Sen. Barbara Mikulski (D-MD), the former chair of the committee, will now be the ranking member.

Education and Labor:

House Education and the Workforce Committee: Rep. John Kline (R-MN) will return to his role as chair. He is reportedly working on a plan with his Senate counterpart to overhaul the No Child Left Behind Act and roll back the federal government's role in education. Rep. Robert Scott (D-VA) will be the new ranking member, taking over for former Rep. George Miller (D-CA), who retired.

Senate Health, Education, Labor, and Pensions Committee: Sen. Lamar Alexander (R-TN) will be the new chair. According to the *Washington Post*, he called the Affordable Care Act "a historic mistake" and supports repealing it. In addition to wanting to change the No Child Left Behind Act, he has said he wants to update the Higher Education Act as well.

Agriculture:

House Agriculture Committee: Rep. K. Michael Conaway (R-TX) will take over as the new chair. In the past, he has supported tougher work requirements for SNAP/food stamp recipients. Rep. Collin Peterson (D-MN) will return as ranking member.

Senate Agriculture, Nutrition and Forestry Committee: Sen. Pat Roberts (R-KS) will be the new chair of this committee. Two decades ago, as chair of the House Agriculture Committee, then Rep. Roberts led a successful fight to prevent block-granting the food stamp program. More recently, the *Washington Post* notes that Sen. Roberts has favored cuts to SNAP/food stamps, saying that the cuts included in the farm bill passed last May weren't enough. Former Chair Debbie Stabenow (D-MI) will now be the ranking member.

FY2016 Budget Preview

While debate over FY15 funding wrapped up just last month (other than battles over Homeland Security funding that will continue in this month in conjunction with the fight over President Obama's recent executive action on immigration), Congress is already focusing on FY16 budgets. The new Congress has more members who favor cutting spending on human needs programs and passing tax cuts for the wealthy and corporations. In addition**,** unless Congress takes action before October when the new fiscal year begins, automatic spending cuts known as sequestration will take effect due to the deficit reduction legislation enacted in 2011, meaning more cuts for many human needs programs. Programs like Medicaid, SNAP/food stamps, and Social Security – which are not subject to the sequester – will also be under attack.

President Obama is required to submit his budget proposal to Congress by the first Monday of February. While that timeline has slipped to March or April in recent years, the White House has said the President's FY16 budget will be released on time, on February 2. Most likely sometime in March, House Budget Committee Chair Rep. Tom Price (R-GA) is expected to release his version of the federal budget. As mentioned in the related article in this *Human Needs Report* on the new congressional leadership, Rep. Price has said he wants to eliminate the deficit in 10 years, give states more flexibility, build on past budgets authored by Rep. Paul Ryan (R-WI) – budgets which would drastically cut human needs programs that keep people out of poverty and convert Medicaid into a block grant – and according to *CQ* possibly also include parts of Rep. Ryan's plan to fight poverty, which would actually increase poverty by cutting spending on federal safety net programs.

Congressional budget resolutions serve as an outline, providing an overall total funding level for annual appropriations and including policy recommendations, but without the line-item detail of the President's budget. Because it is not legislation, the Congressional budget resolution does not require the President's signature. Usually, the only parts of the budget resolution binding on Congress are the appropriations funding levels, and those only become binding if the House and Senate can agree on a joint budget resolution, which is likely this year. The two chambers have an April 15th deadline for agreeing on a joint budget resolution, although that deadline has often been ignored. No budget resolution has been agreed to by the House and Senate since 2009. Senate Budget Committee Chair Mike Enzi (R-WY) has said he wants to see a budget that can pass both chambers.

There is talk that Republicans in the House and Senate will include a process in the budget resolution known as reconciliation to cut and make changes to mandatory spending programs (those programs not subjected to the annual appropriations process, like Medicaid, Medicare, SNAP/food stamps, and Social Security) and to enact tax cuts. As *CQ* notes, a reconciliation bill cannot be filibustered and only needs 51 votes to pass in the Senate. However, unlike a budget resolution, it has to be signed into law by the President and therefore is subject to a possible veto. For more information on how reconciliation might affect tax cut legislation, see the related article in this *Human Needs Report*.

The reconciliation process could also be used to raise the debt limit, the statutory limit on federal borrowing. Republican opposition to raising the debt limit previously caused the U.S. to be on the brink of defaulting on its debts and was a partial cause of the last government shutdown in 2013. At that time, Republicans used the debt limit as a bargaining tool to get to massive spending cuts in exchange for raising the borrowing limit. In February 2014, Congress passed a bill raising the debt ceiling and allowing the government to borrow as much money as needed through March 15 of this year. The Treasury Department can use tactics known as "extraordinary measures" to ensure that the government won't default on its loans for a period of time after that, possibly through October, but congressional action will eventually be needed.

CHN will host a webinar on the federal budget on Thursday, Jan. 22, from 1-2:15pm ET. All are invited to participate and learn more about how and when Congress will take up its new round of critical budget decisions, impending threats, and what advocates can do to protect vital programs and services. Click here to register.

Taxes in the 114th Congress

Since the election in November, much has been written about potential areas where congressional Republicans and Democrats and the Administration might be able to work together. Often tax reform is mentioned as an area where compromise could happen. It seems everyone at least pays lip service to their desire to do tax reform, but agreeing on specifics will undoubtedly be a much harder task. Would reform include both corporate/business and individual taxes? Would it be budget-neutral or would it result in additional revenue?

Surely taxes will be on the agenda in 2015. In December, Congress renewed a package of approximately 50 tax cuts, mostly for businesses, known as "extenders," that had expired at the end of 2013. The $41 billion one-year compromise bill was a retroactive extension for 2014. The package expired again on December 31 and will likely be renewed at least for 2015 or perhaps longer. Last year, the House passed much more expensive legislation that would have made permanent some of the biggest business tax breaks, costing $450 billion over 10 years. Advocates opposed making these cuts permanent without paying for them by increasing other taxes. Further, they insisted that *if* any of these provisions were made permanent, improvements in the Child Tax Credit and Earned Income Tax Credit set to expire in 2017 should also be made permanent. For more background on the tax extenders package, see CHN's December 22 *Human Needs Report*.

The Republican-controlled House and Senate will likely pass a joint budget resolution for FY 2016. It could include a process called "reconciliation" to enable the Senate to enact tax cuts with only a simple majority, instead of the 60 needed to end a filibuster. If the House and Senate can agree on a tax cut bill to send to the President, he can decide to veto it. To override the President's veto, both House and Senate would need a two-thirds vote – unlikely in the current Congress. (For more on reconciliation, see the budget article elsewhere in this *Human Needs Report.)*

Comprehensive tax reform is a heavy lift. Some are suggesting addressing only corporate tax reform. There are many obstacles to that approach. For one thing, a large percentage of business taxes are paid through the individual tax code. Representative Dave Camp (R-MI), newly retired Chairman of the House tax-writing Ways and Means Committee, received virtually no support from his Republican Party colleagues last year for his corporate tax reform plan. It called for paying, in part, for a reduction in the highest corporate tax rate of 35 percent (the average *effective* rate corporations actually pay is about half the maximum) to 25 percent by eliminating many of the corporate tax breaks now in place. Each of those breaks has a powerful, well-funded lobby that will fight to keep them in place.

The majority party in each new Congress passes a set of rules to guide its work in the upcoming two-year session. On January 6, the House passed its rules for 2015-2016. Included was a provision known as "dynamic scoring." It requires the non-partisan Congressional Budget Office (CBO), and the Joint Committee on Taxation (JCT), charged with estimating the cost of legislation and tax policy, to factor in to the cost-estimate of tax cuts their impact on economic growth. If the tax cuts are assumed to spur growth, they would generate more tax payments, thus reducing their cost to the Treasury Department in lost revenue. While CBO has estimated some economic impacts in the past, considerable uncertainty has caused them to provide a range, which sometimes has varied wildly. Requiring the CBO and JCT to use dynamic scoring could force the appearance of more certainty than is warranted and politicize their work. In his blog, Shaun Donovan, Director of the Administration's Office of Management and Budget, warned against using dynamic scoring saying, "Non-partisan economists and analysts at CBO and JCT analyze all spending and tax bills based on a stated set of assumptions that are chosen and widely recognized to be accurate, consistent, fair, and impartial…. any change to scoring rules should enhance their accuracy, consistency and fairness. Adopting dynamic scoring risks doing just the opposite." In a January 5 paper, the Center on Budget and Policy Priorities warns that Congress could use dynamic scoring to produce tax reform that *appears* much less costly than it actually is. The Senate has not yet finalized its rules for 2015-2016.

Republicans have almost unanimously opposed any increase in taxes for a number of years. One area where some have indicated that they might be open to more revenue is an increase in the gas tax to fund the Highway Trust Fund that is expected to run out of money by the end of May. (Some would get around their pledge not to raise taxes by calling it a "user fee.") The 18.4 cents tax per gallon of gasoline and 24.4 cents tax per gallon of diesel fuel has not risen since 1993. Increased vehicle fuel efficiency lowering gas-tax revenues, coupled with growing transportation infrastructure needs, has left the Fund without adequate revenue. Since 2008, periodic installments totaling $53.6 billion have been transferred from general revenues to the Highway Trust Fund. Senate Finance Committee Chairman Orrin Hatch (R-UT) and Senate Environment and Public Works Chairman James Inhofe (R-OK) are among those who have indicated an openness to increasing the gas tax in order to pass a multi-year transportation bill that would give states greater certainty as they plan long-term transportation projects.

Senator Hatch (R-UT) has invited his friend from his Senate days, Vice President Joe Biden, to participate in tax overhaul discussions. Biden has accepted the invitation. Stay tuned.

House Begins Session by Undercutting ObamaCare

The uninsured rate for U.S. adults fell sharply, from 17.1 percent a year ago to an average of 12.9 percent for the fourth quarter of 2014, with the rate declining among nearly all demographic groups. The Affordable Care Act has accomplished one of its goals to decrease the number of uninsured Americans. In addition, the impressive numbers indicate that the appetite for affordable health insurance was strong enough to get past the flawed rollout of the federal marketplace website.

Still, with the new 114th Congress and impending Supreme Court case, the Affordable Care Act faces many challenges. In an effort to undermine the health law's employer mandate, the House voted (252-172) on Thursday to change the definition of full-time employment under the health law. The bill (H.R. 30) redefines the ACA's current full-time work week from 30 hours to 40 hours a week. Since 44 percent of the workforce was employed 40 hours last year while only 7 percent worked between 30 to 34 hours, the new bill threatens to put far more workers at risk of having their hours cut. The Congressional Budget Office and Joint Committee on Taxation said that the bill will increase the deficit by $53 billion because it will reduce revenue by lowering the number of companies liable for penalties because they do not provide health insurance. It is not clear what the fate of the bill will be in the Senate; however, President Obama has warned if Congress passes the bill he will veto it.

The House also passed (412-0) on Tuesday a bill (H.R. 22) that would exclude veterans and other employees who have health coverage through the Department of Defense or Veterans Affairs from counting towards the number of employees a business has to have before its required to provide health coverage. As of Jan. 1, employers with at least 100 full-time employees are required to provide health coverage or pay a penalty. That requirement is set to expand to employers with at least 50 full-time employees in 2016. The Congressional Budget Office and Joint Committee on Taxation have said this bill will increase budget deficits by $858 million over 11 years.

In addition to these legislative challenges, the health law faces an upcoming court battle. The Supreme Court is expected to take up a challenge to subsidies provided under the law. The case questions whether the Affordable Care Act's subsidies are permitted in the 34 states that didn't build state exchanges but instead use the federal exchange. The Supreme Court is likely to take up the case this March.