COALITION ON HUMAN NEEDS

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Conferees Closing in on Joint Budget Resolution

House and Senate negotiators are thought to be close to resolving differences in their budget plans. The result, if agreed to by both chambers, will set the appropriations totals for the year starting October 1, and is expected to place on a fast track proposals to slash at the Affordable Care Act. The agreement by the House-Senate conference committee could be announced early this week, with votes on the floor by week's end.

The budget resolutions passed by both House and Senate were similar in important respects. They both claimed to balance the budget within the next decade by massive cuts to mandatory programs such as Medicaid, SNAP, and the Affordable Care Act and by cutting appropriations even more deeply than current law would require. Both budget plans would make 69 percent of their non-defense cuts in programs serving low- and moderate-income people, according to the Center on Budget and Policy Priorities.

There were some differences, however, with implications for almost every federal domestic program. The House budget, for example, would cut appropriations nearly $1 trillion below current law's sequester levels over 10 years; the Senate would cut $400 billion below sequestration. (Sequestration refers to required cuts to defense and non-defense spending of about $110 billion a year if the law is not changed.) These cuts would hit education, housing, job training, and services for children and seniors, as well as environmental, medical research, and public health programs. The House would instruct many different committees to come back with savings proposals subject to fast-track rules in the Senate; the Senate version of the budget would only direct those instructions to the committees with jurisdiction over the health care law. Rumors at this writing are that the final budget will limit the fast-tracking (known as "reconciliation") to the health care law.

Pentagon Spending Going Up. Some of the differences in the budgets would affect the way military spending is handled. While both budgets would cut below sequestration levels over ten years, in FY 2016, the only year where spending levels are really binding, they purport to stick to the sequester levels. (The President's budget rejected the deeper cuts imposed by sequestration, and added $37 - $38 billion more each to defense and to non-defense appropriations.) House and Senate budgeters are under a great deal of pressure to add at least $35 billion beyond the $523 billion allowed under the defense sequester cap. They chose to get around that limit by adding money to uncapped war funding (Overseas Contingency Operations (OCO) funds). OCO is supposed to be used only for war-related purposes – supporting troops in or departing from Iraq and Afghanistan. But budget decision-makers have dropped all pretense that OCO is solely for war funding, and have jacked up OCO to $96 billion (up from the President's request of $58 billion for this purpose).

Although both the House and Senate set OCO at about $96 billion, the Senate budget included a point of order against raising OCO beyond the President's $58 billion level. That would mean adding the extra money into OCO would require 60 votes. The House majority does not want to make it harder to pad the OCO account, and some defense proponents in the Senate, notably Senator McCain (R-AZ) have threatened to vote against the budget if it includes this point of order. It is highly unlikely that it will be included in the final budget.

Congress shares the authority to designate funding to be included in the uncapped OCO account with President Obama. If he refuses to designate the $96 billion as appropriately war-related, the funding cannot be spent. That will be an important source of leverage for the President as he seeks to bring congressional leaders to the table for a deal that increases appropriations beyond the sequestration levels for both defense and domestic programs.

No Commitment to Parity for Pentagon and Domestic Spending. In previous budget agreements, there was an even-handed approach to defense and non-defense appropriations. Both either took equivalent cuts or gained equal amounts. But while President Obama has continued to insist on parity, negotiators for the congressional majority plan to use OCO to raise Pentagon spending, while leaving domestic and international appropriations at the restrictive sequestration levels for FY 2016.

Even more constraints on domestic appropriations? A number of provisions in the Senate budget resolution would close off some ways of loosening the caps for domestic programs. One would phase out the use of savings from mandatory programs from being applied to discretionary spending. This practice (Changes in Mandatory Programs, nicknamed "CHIMPS" by budgeteers) added $19 billion to domestic appropriations this year. The Senate budget would keep it at $19 billion in FY 2016, but gradually eliminate it by FY 2021. The loss of CHIMPS and other new constraints in the Senate budget (but not in the House version) would tighten the screws on domestic appropriations still more – the opposite of the "safety value" provided to defense spending through OCO. It is not yet known if these constraints will be in the final budget resolution.

SSDI Shortfall. Social Security Disability Income (SSDI) is expected to be underfunded within the next few years. Under current law, funds could be transferred from the Social Security trust fund to pay for the SSDI shortfall. The House budget version prohibits this, and would use the shortfall as a way to force changes to benefits and/or eligibility for Social Security and SSDI. The Senate budget does not have this provision; it is not known whether it will be included in the joint budget plan. Even if it is included, such cutbacks could not be implemented without passing legislation, which could be vetoed by the President.

Revenues. The House and Senate budgets are vague about what they would do about revenues. Both House and Senate would repeal the health care law, and along with it the $1 trillion in revenues it would generate over the next decade. However, they do not show revenues being reduced over this period, without explaining what will replace the repealed taxes. The House is specific in saying it will eliminate the Alternative Minimum Tax, and the Senate expressly calls for continuing business tax cuts which would otherwise expire. Those actions would lose at least $1 trillion over ten years, from revenues collected disproportionately from upper- income people. On the other hand, both House and Senate would allow the improvements to low-income tax credits expire, pushing 16 million people, half of them children, into poverty or deeper poverty, according to the Center on Budget and Policy Priorities.

Getting Past the Budget Resolution to a Post-Sequester Deal? The Senate budget included an amendment sponsored by Senator Kaine (D-VA) and with bipartisan support to make it possible for Congress to agree later on a deal to exceed the sequestration caps by making up the increased spending by an unspecified combination of new revenues and cuts in mandatory programs. There are press reports that the final budget resolution will include a version of this, but, significantly, without any mention of new revenues as a replacement for the sequester cuts.

Reconciliation Instructions – Fast-Track Cuts. If Congress can agree on a joint budget resolution, it can include reconciliation instructions – directives to specific committees to produce bills making savings in mandatory programs (such as Medicaid, SNAP, Medicare, the Affordable Care Act, etc.). When those bills are taken up in the Senate, debate would be time-limited. Because reconciliation legislation cannot be filibustered, it can pass the Senate with only a simple majority, instead of the 60 votes required in most other Senate deliberations. As noted above, while the House was willing to subject many different programs to such fast-tracked cuts, it is now expected the joint resolution will only seek reconciliation bills out of the committees with jurisdiction over changes to the Affordable Care Act. Those committees will be asked to draft their legislation by some point in June or July. The deadline will leave enough time to know the outcome of the upcoming Supreme Court decision on whether federal subsidies to individuals' health insurance can be paid when states did not create their own insurance exchange, but instead use the federal exchange.

For more information on the House and Senate budget resolutions, see the March 20 *Human Needs Report*. Stay tuned to the *Human Needs Report* and CHN's blog, Voices for Human Needs, for updates.

Appropriations Season Begins

The lack of an approved joint budget resolution didn't stop appropriators in Congress from starting their work on the 12 annual appropriations bills for Fiscal Year 2016. The House Appropriations Committee began by taking the sequester-level cap of $1.017 trillion used in the GOP budget (effectively frozen from the current year) and dividing it up among the 12 spending bills. Theses allocations, which are known as 302(b)s and which set funding levels for each of the 12 appropriations subcommittees, were approved last Wednesday. Of particular note in the allocations (listed in the table below) are the cuts to the Labor, Health and Human Services, and Education spending bill, which covers many critical human needs programs. The House 302(b) for this bill is more than $3.7 billion less than current spending levels. Rep. Rosa DeLauro (D-CT), the senior Democrat on the House Labor-HHS-Education Appropriations Subcommittee, noted that after adjusting for inflation, the budget for this bill has been cut by almost $20 billion since 2010. Rep Nita Lowey (D-NY), the top Democrat on the House Appropriations Committee, also condemned the House 302(b)s. She put forth alternative allocations which mirrored the President's budget request and would have provided $167.67 billion for Labor-HHS appropriations and $64.86 billion for the Transportation-Housing and Urban Development bill, which is also of particular interest to advocates. However, these alternative allocations were defeated along party lines in the committee. The Center on Budget and Policy Priorities estimates that another year of sequestration would leave domestic and international appropriations 17 percent below their FY 2010 levels, taking inflation into account.

The House Appropriations Committee also passed two of the 12 spending bills – the Military Construction and Veterans Affairs bill and the Energy and Water bill – last Wednesday, and the bills are expected to be on the House floor this week. The two bills approved by the committee have spending totals of more than $5 billion more than those two bills last year. With a total spending cap for all 12 bills only $3 billion over last year, these increases will cause human needs programs covered under the Labor-HHS and Transportation-Housing and Urban Development bills to be squeezed even further. The director of the Obama Administration's Office of Management and Budget (OMB) sent a letter to House Appropriations Chair Hal Rogers (R-KY) noting that, taking the total from these two bills into account, "the Republicans' budget framework would require cuts of roughly 8 percent compared to the President's Budget for the rest of the non-defense discretionary accounts." It also notes that the Republican's budget would bring annually-appropriated ("discretionary") funding to the lowest levels in a decade and would lead to tens of thousands of children losing Head Start, 2 million fewer workers getting job training and employment services, and thousands fewer medical research awards . The President's budget calls for an end to sequestration and would begin to reverse some of the cuts of the past five years, notably in housing, education and training, and public health. In fact, President Obama has said he will not sign any spending measure that keeps sequestration in place.

Budget gimmicks may cause additional squeezing of human needs programs, too. According to *CQ*, appropriators used a one-time $1.1 billion payment from a penalty imposed on Toyota to spend on programs under the Commerce-Justice-Science appropriations bill in FY15 without counting the money against the bill's cap. If they want to fund those programs at similar levels this year, the lack of the $1.1 billion penalty windfall will force cuts elsewhere.

Senate appropriations subcommittees have begun holding hearings but have not yet passed any bills or released their 302(b) allocations yet. Many advocates remain hopeful that a budget deal can be reached that removes the sequester caps – similar to the Ryan-Murray budget deal passed in Dec. 2013 – to allow more funding to go to human needs programs that have been cut in the past. To this end, *CQ* is reporting that Democrats may vote en bloc against the spending bills – joining a group of ultra conservative Republicans who typically vote against the bills – in order to attempt to defeat the bills and secure an agreement from Republicans to raise the spending caps. This may be risky, however, as it may cause the Dems to be seen as obstructionists and/or may allow the Republicans to make future bills even more conservative if Dems' attempt fails. Stay tuned to the *Human Needs Report* and CHN's blog, Voices for Human Needs, for updates.

House Proposed Allocations for FY 2016 to Appropriations Subcommittees

The allocations for each bill title in $ billions (Budget Authority) (excluding OCO funding).

Appropriations Subcommittee	FY 2014 Enacted Approps.	FY 2015 House 302(b) Allocations	FY 2015 Senate 302(b) Allocations	FY 2015 Enacted Approps.	FY 2016 Rep Lowey's alternative 302(b) Allocations	FY 2016 House 302(b) Allocations
Agriculture	20.9	20.9	20.6	20.6	21.789	20.650
Commerce, Justice, Science	51.6	51.2	51.2	50.1	52.051	51.378
Defense	486.9	490.9	489.6	490.2	526.927	490.235
Energy & Water	34.1	34	34.2	34.2	36.037	35.403
Financial Services & General Govt.	21.9	21.3	22.5	21.8	24.227	20.249
Homeland Security	39.3	39.2	39	39.3	41.426	39.320
Interior & Environment	30.1	30.2	29.5	30.0	32.206	30.170
Labor, HHS, Education	156.8	155.7	156.8	156.8	167.670	153.050
Legislative Branch	4.3	4.3	4.3	4.3	5.488	4.300
Military Construction & VA	73.3	71.5	71.9	72.0	78.786	76.057
State, Foreign Operations	42.5	42.4	39.7	49.0	46.902	40.500
Transportation, HUD	50.9	52	54.4	53.8	64.858	55.270
TOTAL	$1,012	$1,014	$1,014	$1,014	$1,098	$1,017

FY 2016 House allocations as passed by House Appropriations Committee, 4/22/15
FYs 14, 15 sources: CBO, House and Senate Appropriations Committees.
FY15 Enacted sources: House and Senate Appropriations Committees.

House Bill Repeals the Estate Tax

Just three weeks after the House passed a Budget Resolution (H. Con. Res. 27) with devastating cuts to low-income programs, it passed a repeal of the estate tax that is a giveaway to the very wealthy. The bill (H.R. 1105) repeals the estate and generation-skipping transfer taxes for all estates. The vote was 240-179 with seven Democrats [Ashford (NE), Bishop (GA), Costa (CA), Cuellar (TX), Peterson (MN), Ruppersberger (MD), and Sinema (AZ)] joining almost all Republicans in support of passage, and three Republicans [Jolly (FL), Jones (NC) and Rigell (VA)] joining most of the Democrats in opposing the bill.

In 2015, there is already an exemption of $5.4 million on estates for a single owner (nearly $11 million for a couple). H.R. 1105 would lose $269 billion in revenue over 10 years. In the name of deficit reduction, the House budget would cut $5.3 *trillion* over 10 years with 69 percent coming from low- and moderate-income programs including Medicaid, CHIP (Children's Health Insurance Program), SNAP, disability insurance, child nutrition, and the refundable Earned Income Tax Credit and Child Tax Credit. These actions by the House represent policies that, if enacted, would add to the enormous and growing wealth gap in our country. Advocates opposed the repeal via a group organization letter, individual organization letters, and individual personal emails to Representatives.

According to the congressional nonpartisan Joint Committee on Taxation, only 0.2 percent of estates – 2 out of every 1,000 or about 5,400 total – are subject to the estate tax. Proponents of eliminating the estate tax often cite the burden it places on small farms and small businesses. According to a recent report, in 2013 only 20 small business and small farm estates owed any estate tax and paid an average rate of 4.9 percent of their value. Proponents of repeal further argue that the estate tax is a form of double taxation. In reality, a significant portion of assets held by estates consist of unrealized capital gains that have never been taxed.

The Senate does not currently have plans to vote on estate tax repeal. During consideration of the Budget Resolution (S. Con. Res. 11) in the Senate, an amendment sponsored by Sen. John Thune (R-SD) allowing for the permanent elimination of the federal estate tax failed 54-46 (60 votes were required for passage). All but one Democrat and Sen. Susan Collins (R-ME) voted 'no' and all Republicans except Collins plus Sen. Joe Manchin (D-VA) voted 'yes'. For more information on the House's action on the estate tax, see CHN's blog, Voices for Human Needs.

Children's Health Insurance Program and other Health Programs Extended Along with Medicare Doc Fix

Congress showed rare bipartisanship in passing legislation that extended several health programs for low-income children and adults. These programs were included in a package that repealed automatic payment cuts to doctors under Medicare, known more commonly as the 'Doc Fix' or SGR, short for the sustainable growth rate formula that would have caused the cuts.

Included in the legislation were several programs that allow low-income people to get needed health care. Among these is the Children's Health Care Program (CHIP), which was extended for two years through September 2017. CHIP provides health insurance to children in families whose incomes are too high to qualify for Medicaid, but too low to afford private coverage. According to Families USA, CHIP covers more than 8 million children and has played a key role in reducing the number of uninsured children by more than 50 percent.

Two other programs were extended in the package – the Qualified Individual (QI) and Transitional Medical Assistance (TMA) programs. The QI program, which pays Medicare Part B premiums for very low income seniors, was made permanent, though funding for it was only extended through FY16. The TMA program, which was also made permanent, helps families temporarily continue health coverage when they become ineligible for Medicaid because of increased work hours or income. This ensures coverage for up to a year as they move into the workforce and until they can either afford to purchase private insurance or become eligible for an employer-sponsored plan. The package also extends through FY17 the Maternal, Infant and Early Childhood Home Visiting programs and funding for Community Health Centers.

The package would be partially paid for by making wealthier seniors pay more for Medicare. Congress had punted on a long-term SGR solution 17 times over the last decade, instead passing annual stopgap fixes to prevent pay cuts for Medicare physicians. The House passed the package in late March, with the Senate following suit on April 15. President Obama signed the bill on April 16.