

Low-Income Minnesotans Could Lose Big in Federal Budget

Each year, Congress is required by law to develop a “budget resolution” which sets limitations on spending and on tax cuts. These limits apply to nearly all legislation developed in Congressional committees as well as to amendments which may be offered to legislation on the House or Senate floor.

The budget process began in February when the President submitted his budget to Congress for consideration. The President’s Budget is an expression of the administration’s views on spending and tax policies, which is not binding on the Congress. Congress, however, considers the President’s Budget as a starting point for developing its own Budget Resolutions separately in both the House and Senate. Congress may also consider a “reconciliation bill” which includes multiple provisions developed by several committees that affect taxes, spending, or both. Now that both the House and Senate have passed different Budget Resolutions, a joint House-Senate Conference Committee has been appointed and will begin working the week of April 4 to develop a single Budget Resolution.

Minnesota could lose over \$319 million in Medicaid funding over the next five years if Congress passes the House-passed version of the Budget Resolution.¹ Additional proposed cuts in the Food Stamp program, the Earned Income Tax Credit (EITC), Supplemental Security Income (SSI), and Temporary Assistance for Needy Families (TANF) in the House-passed Budget Resolution would hurt thousands of low-income Minnesota families struggling to make ends meet.

In contrast to the House Budget Resolution, the Senate Budget Resolution specifically rejected some of the deepest cuts which passed the House.

Below is a summary of some of the key provisions which will be considered by House and Senate budget negotiators, and the impact they would have on Minnesotans.

Health Care

The House Budget Resolution would require between \$15 and \$20 billion in cuts to Medicaid and/or the State Children’s Health Insurance Program (SCHIP).² Medicaid currently provides health care to more than 58 million low-income Americans, including 28 million children, 5 million seniors, and 9 million Americans with disabilities.

In Minnesota, federal Medicaid dollars largely are used for the Medical Assistance program (MA), although they fund some MinnesotaCare costs as well. As of April 2005, 585,260 Minnesotans were covered by state health care programs funded in part with federal Medicaid dollars.³ The State Children’s Health Insurance Program (SCHIP) was created in 1998 to provide health insurance coverage for low-income children who would otherwise have no health insurance.

¹ Families USA.

² Except where otherwise noted, data in this document is from the Center on Budget and Policy Priorities.

³ Minnesota Department of Human Services.

Significantly, the House Budget does not indicate **how** these cuts — which are substantially larger than those proposed by the Bush Administration — would be made. The final Budget Resolution will simply set spending parameters for each of the Congressional committees, which must then make decisions on how much to cut from specific programs within their committee's legislative jurisdiction. Clearly, however, cuts of this magnitude are virtually certain to leave Minnesota and other states with fewer resources to meet the health care needs of their residents and will result in a significant reduction in the number of Minnesotans covered by state health care programs.

Minnesota has made major strides compared with other states in its efforts to cover people with no health insurance (although this progress has been eroded by recent health care cuts at the state level). The draconian cuts contained in the House Budget Resolution threaten to further undo this progress and would inevitably place greater strains on Minnesota's health care system. State and local governments will have more demands placed upon them in a time of tight budgets and health care providers would inevitably be forced to bear the cost of uncompensated care, driving up costs for those patients who do have insurance.

Food Stamps

The Food Stamp Program was established in the 1960s in response to widespread concern about hunger in poor communities. While hunger still exists in the U.S., the Food Stamp Program and the Women, Infants, and Children (WIC) nutrition program have significantly reduced hunger and malnutrition in America. In 2004, Food Stamps helped 25.5 million families buy food each month by providing them with electronic debit cards that can be used only to purchase food. Over 253,000 Minnesotans participate in this important anti-hunger program.⁴ Food Stamp benefits lifted 2.7 million Americans out of poverty in 2002.

The House Budget Resolution assigns \$5.3 billion in cuts to the Agriculture Committee, which has jurisdiction over Food Stamps as well as various farm, nutrition, and conservation programs. House Agriculture Committee leaders have indicated that they are likely to make cuts to Food Stamps that will be significantly deeper than the \$600 million that the Bush Administration has proposed. The U.S. Department of Agriculture has estimated that the administration's proposed cuts would cause 300,000 Americans to lose their food stamps. Most of these would be low-income working families with children. If Congress enacts deeper cuts, more Minnesotans could lose Food Stamps. Food stamp benefits currently average less than \$1 per person per meal.

In contrast to the House, the Senate Budget Resolution assigns \$2.8 billion in cuts to the Agriculture Committee.

Earned Income Tax Credit (EITC)

The House Budget Resolution would require the House Ways and Means Committee to cut \$18.7 billion from programs under its jurisdiction. When asked how the Budget Committee assumed the Ways and Means Committee would achieve this cut, Budget Committee Chairman Jim Nussle mentioned only one program: the EITC, a refundable tax credit that provides tax relief to low- and moderate-income working Americans. In 2002, over 248,000 Minnesota families claimed the EITC.⁵

⁴ Minnesota Legal Services Advocacy Project.

⁵ Minnesota House Research.

If the Ways and Means Committee were to achieve **all** of its \$18.7 billion in cuts from the EITC, the credit would have to be cut by \$3.9 billion in 2006, or 11%. This could be accomplished the reducing the average EITC for Minnesotans by \$200 annually. If the Committee sought to achieve **half** of its required cuts from the EITC, it would have to cut the EITC by nearly \$2 billion in 2006.

Income Assistance for Seniors and People with Disabilities

If the House Ways and Means Committee does not achieve all of its required cuts from the EITC, it may choose to make some cuts in the Supplemental Security Income (SSI) program, which provides modest income assistance to 6.9 million poor seniors and people with disabilities. If, for example, the committee met its target by cutting all low-income programs under its jurisdiction by the same percentage, SSI would be cut by \$4.8 billion over five years and by \$1.2 billion in 2006 alone. Achieving this cut by reducing the number of recipients would mean dropping some 222,000 poor individuals with disabilities and seniors from the program.

Funding for States for Human Services

The House Ways and Means Committee also has jurisdiction over a set of programs that provide funding directly to Minnesota and other states for key human services, including income assistance and welfare-to-work programs for poor families with children, child care subsidies for low-income families, services for abused and neglected children and their foster and adoptive families, child support enforcement services, and adult day care for seniors.

If all programs serving low-income persons under the House Ways and Means Committee were cut by the same percentage, the programs that support state human services – the Temporary Assistance for Needy Families (TANF) block grant, child support enforcement, the Social Services Block Grant (SSBG), and the foster care and adoption assistance programs, would be cut by \$4.1 billion over five years and by \$1.1 billion in 2006 alone.

If the final Budget Conference Report goes in this direction, Minnesota would be left in a serious bind. If the federal government steps back from its responsibilities, it's hard to see how state and local governments could shoulder the costs, given ongoing budget deficits at the state level.

More Tax Cuts for High-Income Americans and Bigger Deficits

Neither the House nor Senate Budget Resolutions produce a balanced budget, and, in fact, both would increase the size of the federal deficit in future years. Nonetheless, both budgets propose additional billions of dollars in tax cuts which disproportionately benefit the highest-income Americans. The House proposes \$106 billion in tax cuts over the next five years while the Senate proposes \$129 billion, on top of billions of dollars in federal tax cuts enacted during the past four years.

One provision in the House Budget Resolution contains \$23 billion to extend existing tax cuts related to capital gains and dividends for an additional two years beyond their scheduled expiration date in 2008. This cost alone is equal to about two-thirds of the total cuts proposed in low-income entitlement programs in the House Budget. Nearly half of the benefits of this tax cut would go to people with incomes of more than \$1 million. They would receive an average tax cut of \$10,000 each, on top of the \$90,000 a year each which they already receive from other tax cuts passed since 2001.

From one perspective, although the House Budget could result in over \$5 billion in cuts to the Food Stamp Program, it still finds room for more than \$10 billion in tax cuts for millionaires. In essence, big reductions in assistance for low-income people, children, seniors, and people with disabilities in Minnesota and nationwide would be used in part to finance yet another round of generous tax cuts for the wealthiest people in America.

Conclusion

Regrettably, the House-passed Budget Resolution represents a significant departure from any semblance of a fair and balanced approach to sound budget, tax, and spending policy. Instead, it represents a highly unbalanced approach which would impose massive new cuts on low-income Minnesotans while doing nothing to reduce deficits. And in fact, the deficit would get worse thanks to additional tax cuts that benefit the wealthiest people in America.

Neither the House nor Senate Budgets are balanced, and both would increase the federal deficit and leave the nation facing deficits well into the future. However, the House Budget sets the stage for what would be draconian cuts to Medicaid, Food Stamps, the EITC, SSI, and other programs that serve low-income families, children, seniors, and people with disabilities.

House and Senate conferees will begin meeting the week of April 4 in an attempt to reconcile differences between the two budget resolutions. It is imperative that any final Budget Conference Report adopt the Senate approach of no cuts to Medicaid and the smallest possible cuts to Food Stamps, the EITC, SSI, and other programs that help low-income and vulnerable people in our nation. Now is not the time for Congress to support a massive expansion of tax cuts, on top of billions of dollars in previously-enacted tax cuts, that benefit the wealthiest people in America at the expense of low-income Minnesotans.