

HOUSE BUDGET COMMITTEE

Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Democratic Member

B-71 Cannon HOB ■ Washington, DC 20515 ■ 202-226-7200 ■ www.house.gov/budget_democrats

March 16, 2005

Fact Sheets for House Consideration of the 2006 Budget

Seven Top Reasons to Support Democratic Alternative

Six Top Reasons to Oppose Republican Budget

Summary of Democratic Budget for FY 2006

Democrats More Fiscally Responsible Than Republicans

Social Security

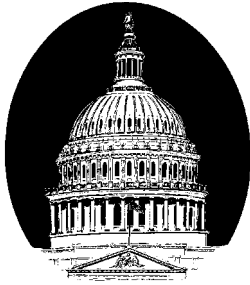
Education: Republican Budget Fails Students

Veterans: Republican Budget Underfunds Health Care and Cuts Benefits

Republican Budget Imposes Harmful Cuts on America's Communities
and Families

Republican Budget is Wrong Prescription for Medicaid

Environment: Republicans Ignore Environmental Needs



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Seven Top Reasons to Support Democratic Alternative

1. *Brings the Budget Back to Balance* — The Democratic budget achieves balance by 2012. The Democratic budget also has a smaller deficit than the Republican budget every year and accumulates less debt and wastes fewer resources on interest payments needed to service the national debt. By contrast, the Republican budget never returns to balance, and even fails to show how large its deficits will be after 2010.

2. *Includes Budget Enforcement Measures to Protect Social Security* — The Democratic budget includes budget enforcement procedures to block tax or spending legislation that would borrow additional amounts from the Social Security Trust Fund surplus. The Democratic enforcement rule is based on the two-sided pay-as-you-go (PAYGO) rules which were in place during the 1990s and helped to turn record deficits into record surpluses. The Republican budget contains no such enforcement provisions.

3. *Does More For Education* — The Democratic budget provides \$4.5 billion more for appropriated education and training programs than the Republican budget for 2006 and \$41 billion more over the next five years. The Democratic budget also rejects the \$21 billion in cuts that the Republican budget requires the Education and the Workforce Committee to make over five years, cuts that could fall on student loans and school lunches. It also increases the maximum Pell Grant by \$100 in each of the next ten years — twice the Republican increase — and eliminates the program's current \$4.3 billion funding shortfall.

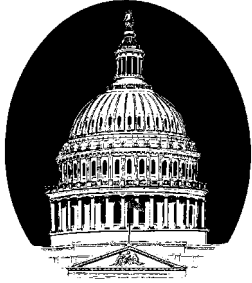
4. *Protects Veterans* — The Democratic budget provides \$1.6 billion more than the Republican budget for veterans programs for 2006 and \$17 billion more over five years. The Democratic budget also reverses the \$798 million five-year cut that the Republican budget imposes on the Veterans Affairs Committee — a cut that could only result in reduced benefits for veterans or higher fees for veterans' health care.

5. *Supports America's Communities and Families* — The Democratic budget provides \$2 billion more than the Republican budget for 2006 and \$9 billion more over five years for community and regional development, blocking the President's proposal to eliminate the Community Development Block Grant (CDBG). The Democratic budget provides \$2.9 billion more than the Republican budget for 2006 and \$23 billion more over five years to restore our

commitment to environmental protection and conservation. The Democratic budget also reverses the \$19 billion in mandatory cuts that the Republican budget requires the Ways and Means Committee to make, cuts that could fall on child care, foster care, the earned income tax credit, and benefits for low-income elderly and disabled individuals.

6. *Reverses Cut to Medicaid* — The Democratic budget rejects Republican cuts threatening Medicaid. By contrast, the Republican budget requires the Energy and Commerce Committee to cut \$20 billion over five years, cuts likely to fall mostly or entirely on Medicaid.

7. *Funds Other Key Priorities* — The Democratic budget provides \$1.1 billion more than the Republican budget for 2006 and \$5.6 billion more over five years for law enforcement and justice programs. The Democratic budget also provides additional homeland security funding above the President's request.



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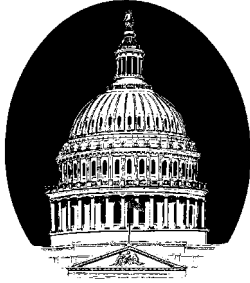
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Six Top Reasons to Oppose Republican Budget

- 1. Continues to Drive the Deficit Higher** — The Republican budget contains no plan for bringing the budget back to balance, and even fails to show any deficit figures at all after 2010. Republicans claim that their budget cuts the deficit in half, but in fact their budget makes the deficit \$127 billion worse over the next five years relative to current law. Since 2001, Republican budgets have converted a \$5.6 trillion projected ten-year surplus into a ten-year deficit of nearly \$4 trillion — a swing in the wrong direction of more than \$9 trillion.
- 2. Fails to Protect Social Security** — The Republican budget fails to protect and strengthen Social Security. This budget resolution spends every penny of the Social Security Trust Fund surplus to help finance its deficits and pay for its tax cuts and other policies. Unlike the Democratic budget, the Republican budget resolution contains no budget enforcement mechanisms to protect the Social Security Trust Fund surplus. Meanwhile, Republicans continue to advocate a Social Security privatization scheme that would weaken Social Security — but fail to include in their budget a dime of the \$754 billion that the Administration acknowledges privatization would cost between now and 2015.
- 3. Underfunds Education** — The Republican resolution cuts appropriated funding for education programs by \$2.5 billion for 2006 and \$38 billion over the next five years below the current services level. It matches the President's budget, which eliminates 48 education programs worth \$4.3 billion; these include all \$1.3 billion for vocational education and other elementary, secondary, and college aid programs. Additionally, the Republican budget requires the Education and the Workforce Committee to cut \$21 billion over five years from programs in its jurisdiction, a cut that could fall on student loans and school lunches.
- 4. Cuts Veterans Programs** — The Republican budget resolution cuts veterans' health care by \$14 billion below current services over the next five years. Additionally, the Republican resolution requires the Veterans' Affairs Committee to make a cut of \$798 million over the next five years. This cut can only be achieved by imposing new fees for veterans' health care, or by reducing veterans' benefits such as disability pay, pension benefits, or education benefits.
- 5. Cuts Budget for America's Communities and Families** — The Republican budget cuts funding for community and regional development by \$8 billion over five years below current

services. This cut is likely to fall on the Community Development Block Grant (CDBG), which the President has proposed to eliminate. The Republican budget cuts funding for environmental protection and conservation activities below current services by \$2.9 billion for 2006 and \$23 billion over five years. The Republican budget also cuts funding for income security programs by \$17 billion over five years below current services, and additionally requires the Ways and Means Committee to cut \$19 billion over five years from programs in its jurisdiction, which could include child care, foster care, and the earned income tax credit (EITC).

6. *Includes Harmful Cuts to Medicaid* — The Republican budget requires that the Energy and Commerce Committee report legislation cutting \$20 billion over five years, a cut that could fall mostly or entirely on Medicaid. Cutting Medicaid will jeopardize health care for the over 52 million children, parents, seniors, and disabled individuals who rely on the program for their health care.



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Summary of Democratic Budget for FY 2006

Fiscally Responsible — The Democratic budget achieves balance within seven years, in 2012. It has a smaller deficit than the Republican budget every year and accumulates less debt and expends fewer resources on interest payments needed to service the national debt. By contrast, the Republican budget never returns to balance, and even fails to show how large its deficits will be after 2010.

Balanced Priorities — Our budget balances fiscal responsibility with the responsibility to maintain government services in vital areas such as education, veterans' health care and benefits, Medicaid, and support for America's communities and families. The Republican budget has steep cuts in all these areas.

Budget Enforcement to Protect Social Security — The Democratic budget includes budget enforcement procedures to block tax or spending legislation that would borrow additional amounts from the Social Security Trust Fund surplus. Our enforcement rule is based on the two-sided pay-as-you-go (PAYGO) rules which were in place during the 1990s and helped to turn record deficits into record surpluses. The Republican budget contains no such enforcement provisions.

Protects Medicaid — The Democratic budget protects Medicaid, which finances health and long-term care for more than 52 million people, and health insurance for 39 million low-income children and parents. In contrast, the Republican budget requires the Energy and Commerce Committee to cut \$20 billion of its spending over five years, cuts likely to fall mostly or entirely on Medicaid. This cut far exceeds that in the President's budget, which had proposals resulting in a net cut of \$7.6 billion for health programs in the Committee's jurisdiction.

Does More for Veterans — The Democratic budget rejects the Republican cut for veterans' benefit programs, a cut that could only result in reduced benefits for veterans or higher fees for veterans' health care. In addition, our budget provides \$1.6 billion more than the Republican budget for veterans' health care programs for 2006 and \$17 billion more over five years.

Helps Students — The Democratic budget continues our commitment to helping all children learn, achieve, and afford higher education. It provides \$4.5 billion more than the Republican budget for education and training appropriations for 2006, and \$41 billion more over the next five years. The

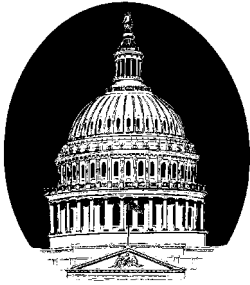
Democratic budget also rejects the \$21 billion cut that the Republican budget requires the Education and the Workforce Committee to make over five years, a cut that could fall on student loans and school lunches. Finally, it increases the maximum Pell Grant by \$100 in each of the next ten years – twice the Republican increase – and eliminates the program’s current \$4.3 billion funding shortfall.

Supports America’s Communities and Families — The Democratic budget provides \$2 billion more than the Republican budget for 2006 (\$9 billion more over five years) for community and regional development, blocking the President’s proposal to eliminate the Community Development Block Grant (CDBG). The Democratic budget also rejects the \$19 billion cut that the Republican budget imposes on the Ways and Means Committee, cuts that are likely to fall on child care, foster care, the earned income tax credit, and benefits for low-income elderly and disabled individuals. In addition, our budget provides \$2.9 billion more than the Republican budget for 2006 (\$23 billion more over five years) to restore our commitment to environmental protection and conservation.

Maintains Middle-Income Tax Relief — The Democratic budget balances long-term deficit reduction with middle-income tax relief. Consistent with the pay-as-you-go rule (PAYGO), the resolution assumes that any expiring tax cuts, if renewed, have to be offset. It assumes tax relief – subject to the PAYGO requirement included in this resolution – including extension of the child tax credit, marriage-penalty relief, the 10 percent individual bracket, the research and experimentation tax credit, and the deduction for state and local sales taxes. Also subject to PAYGO, the budget assumes a modification to minimize the impact of the alternative minimum tax on middle-income taxpayers and elimination of estate taxes on all but the very largest estates.

To restore fiscal balance and comply with PAYGO, the budget assumes revenue measures such as strengthening tax compliance, closing corporate loopholes, and continuing the current limitations on personal exemptions and itemized deductions (“PEP” and “Pease”) – the repeal of which disproportionately benefits people who earn more than \$1 million per year.

National Security Funding — The Democratic budget matches the House Republican budget dollar for dollar on international affairs and defense spending, while targeting the defense dollars more effectively. Both budgets include \$50 billion for operations in Iraq and Afghanistan in 2006 (the President’s budget had no funding for 2006 for this purpose). Finally, the Democratic budget provides additional homeland security funding above the President’s request.



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Democrats More Fiscally Responsible Than Republicans

Democrats Balance Budget; Republicans Do Not — The House Republican budget never reaches unified balance, and under its policies deficits would continue forever. The Democratic budget reaches balance in 2012, and has \$182 billion less public debt than the Republican budget at the end of the first five years. Republican claims that they will eventually balance the budget while making all the tax cuts permanent are just more wishful thinking.

Democratic Resolution Includes All Ten Years of Our Proposals; Republicans Hide True Longer-Term Costs of Their Policies — Major parts of the Republican policy agenda are left out of the resolution. By showing only five years, the Republican resolution hides the full costs of extending the tax cuts and of other policies such as privatizing Social Security.

Democrats Weigh Priorities; Republicans Rely on Unrealistic Future Spending Cuts — The Democratic budget balances the competing priorities of tax fairness, protection of Medicare and Social Security, and fiscal responsibility with the need to provide adequate resources for homeland security, education, law enforcement, veterans' health care, and other public investments. The House Republican budget already adds almost \$1.4 trillion to total deficits from 2006 through 2010. That number will be even more unless Congress enacts spending cuts that even many Republicans admit are unlikely. If these spending cuts do not occur, the Republican budget will create even larger deficits.

President Bush's Promises:

Bringing Down the Deficit With Wishful Thinking

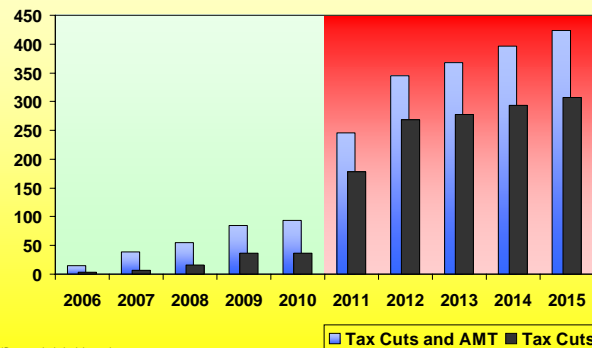
2001	"[W]e can proceed with tax relief without fear of budget deficits..."
2002	"[O]ur budget will run a deficit that will be small and short-term..."
2003	"Our current deficit...is not large by historical standards and is manageable..."
2004	"[T]he deficit will be cut in half over the next five years."

Prepared by the Democratic Staff of the House Budget Committee

3/1/05

Costs of Tax Cuts Balloon After 2010

Billions of Dollars



*Does not include debt service

Prepared by the Democratic Staff of the House Budget Committee

Source: CBO

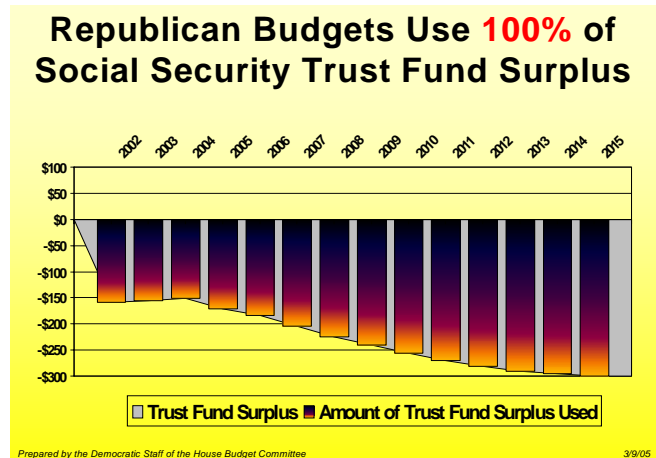
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Adding Another \$1.5 Trillion in Tax Cuts When the Budget Is in Deficit Is Fiscally Irresponsible —

The House Republican resolution, like the President’s budget and the Senate Republican resolution, assumes that most of the expiring tax cuts will be made permanent – even though this policy would cost \$1.5 trillion over the next 10 years. Most of these costs are hidden, because the Republicans close their budget “window” after just five years. But the costs of the tax cuts balloon rapidly over the second half of the decade. This unbalanced approach both creates huge chronic deficits and shortchanges America’s priorities.

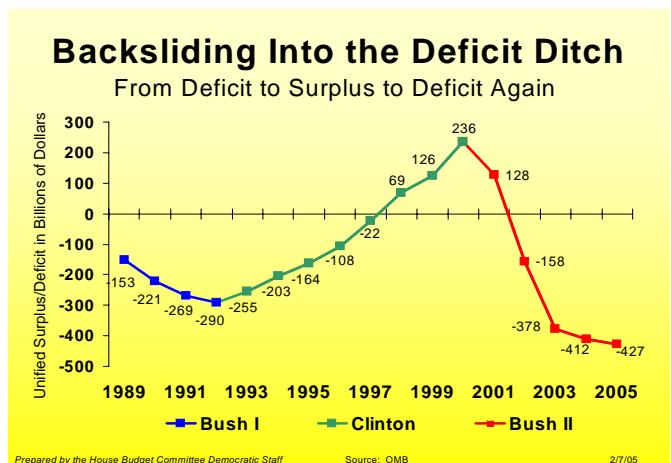
The Democratic Budget Protects Social Security, While the Republican Budget Creates a Fiscal Time-Bomb —

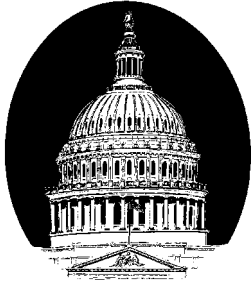
Democrats want to pay down the public debt to prepare for the retirement of 77 million Baby Boomers over the next three decades. Instead, Republican deficits will continue to use up the whole of the Social Security surplus. Republicans say that privatization offers a painless solution to the need to save for Social Security’s future. But the reality is that the President’s privatization plan would add to the deficit – \$754 billion between now and 2015, and as much as \$5 trillion over the first 20 years after its implementation.



Democrats Have a Successful Track Record on Fiscal Discipline; Republicans Do Not —

President Bush inherited a fiscal legacy no previous president enjoyed: a \$5.6 trillion projected ten-year surplus. The budget under Democratic leadership had shown improvement for eight straight years, culminating in the first surplus that did not use either the Social Security or the Medicare Trust Fund surpluses. Republicans claimed that this confronted us with the grave “danger” of paying off too much public debt. In just four years, Republicans have solved that “problem” and replaced it with one far worse — huge chronic deficits and mounting public debt.





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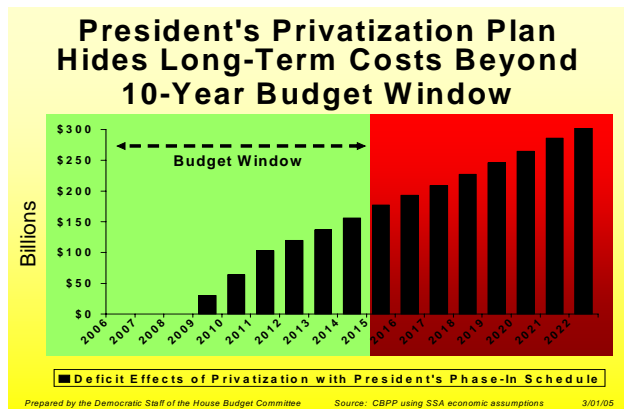
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Social Security

Budget Breaks Promise By Spending Social Security Surplus — President Bush’s 2001 budget stated that “none of the Social Security surpluses will be used to fund other spending initiatives or tax relief.” In fact, the Administration and Congressional Republicans have used the Social Security surplus to help pay for tax cuts every year since President Bush took office. Since 2002, they have spent every penny of the Social Security surplus. The President’s new budget does it again — spending a total of \$2.5 trillion of Social Security surpluses over 2006-2015. The House Republican budget shows only five years of numbers, but the policies behind those numbers are substantially the same as the President’s.

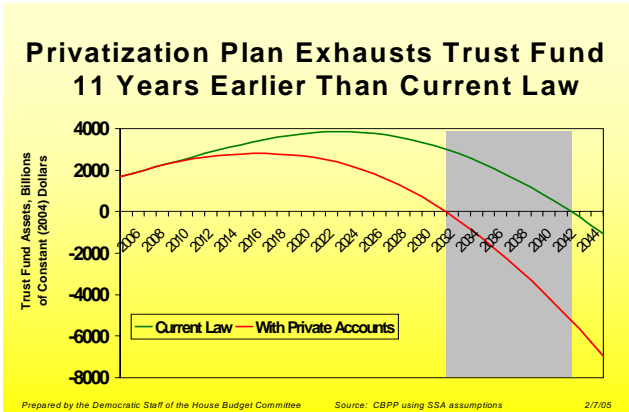
Republican Budget Omits Cost of Social Security Privatization — The House Republican budget, like the President’s budget, excludes the costs of the President’s plan to divert some Social Security payroll taxes into private accounts. After years of stating that Social Security reform *must* include private accounts, the President this year announced his proposal in his State of the Union address — yet his budget submission to Congress failed to include the costs of his plan. These costs are substantial, totaling \$754 billion by 2015. Private accounts by themselves would cost an estimated \$4.9 trillion over the first 20 years of operation (2009-2028) and would ultimately increase the federal publicly held debt by nearly 30 percent relative to the size of the economy.



Good Budgeting Requires Acknowledging Costs of Policy Choices — The purpose of the budget is to shed light on the tradeoffs that come with policy choices. While Social Security is excluded by law from the budget resolution, the resolution does include estimates of how policy choices will affect the publicly held debt. Diverting payroll taxes into private accounts would increase the publicly held debt. If the Congress intends to pursue a plan this year to divert payroll taxes to private accounts, then the budget resolution should acknowledge in its estimate of the publicly held debt that such a plan will not be cost-free.

The President’s Plan Weakens Social Security

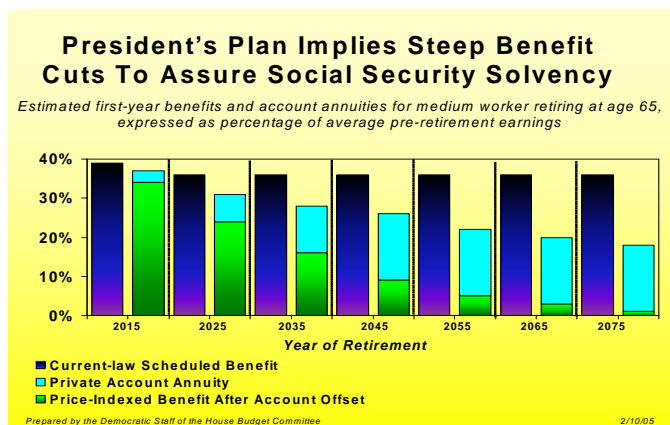
Finances — Diverting payroll taxes into private accounts does nothing to improve Social Security’s financial position. On the contrary, it worsens the problem. The plan would draw down the Social Security trust funds more quickly. Far from “fixing” the problems of Social Security, the President’s plan would cause Social Security cash income to fall below costs starting in 2012, rather than in 2018 as under current law. The trust funds would be completely exhausted in 2031 under the President’s plan — 11 years sooner than under current law. To restore Social Security’s solvency, Congress still has to make changes to the underlying system to close the gap between Social Security’s resources and its obligations. The President has declined to propose a plan for strengthening Social Security.

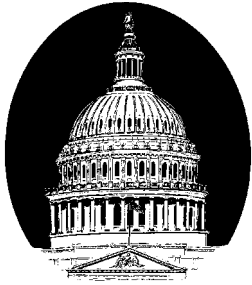


The President’s Plan Would Not Strengthen National Savings — Federal Reserve Chairman Greenspan supports the concept of private accounts on the grounds that it could increase national savings and thereby boost growth, but the President’s private accounts proposal will at best leave national saving unchanged. The President’s plan appears to assume that the large costs associated with moving to private accounts, while continuing to pay benefits to all who are now over age 55, will be financed by increasing the deficit. Therefore, for at least the next several decades, debt issued to offset the payroll taxes diverted into private accounts will cancel out any saving associated with the private accounts themselves. In fact, private accounts could actually reduce national saving if people regard their private accounts as a new source of saving and decide to contribute less to IRAs, 401(k)s or other savings accounts.

Benefits Could Be Cut by up to 50 Percent, Including Proceeds from Private Accounts —

Three years ago, the President’s Social Security Commission developed a plan to divert a portion of payroll taxes to private accounts and impose steep benefit cuts in order to achieve long-range balance. The President’s proposal for private accounts would require similar across-the-board benefit cuts to achieve balance. Such a plan would result in an almost 50 percent benefit reduction for individuals born this decade — including proceeds from the private accounts. These across-the-board benefit cuts would be especially harsh for disabled workers and survivors of workers who die young, because the workers would not have had a full career’s worth of contributions to their private accounts to help soften the blow.





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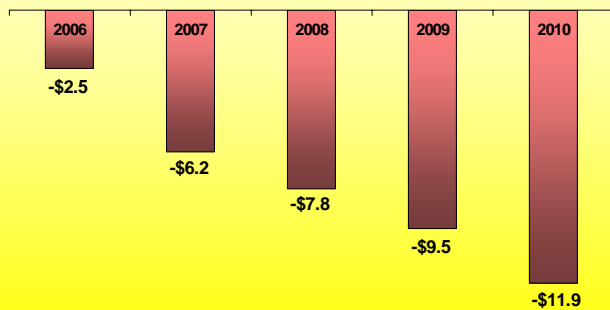
Education: Republican Budget Fails Students

Cuts Education Funding — Both the House Republican resolution and the President's budget cut

funding for education, training, and social services by \$2.5 billion below the amount needed to maintain purchasing power at the current level. Over five years, both budgets cut education funding by \$38 billion. The President's budget spelled out its steep education cuts for 2006. His budget cuts funding for the Department of Education by \$1.2 billion below the amount needed to maintain purchasing power at the current level, and by \$530 million below the 2005 enacted level of \$56.6 billion. This is the first time since 1988 that an Administration has submitted a budget that cuts the Department's funding.

Republican Budgets Cut Education Funding Every Year

Function 500 Appropriations Below Current Services, in Billions



Eliminates \$4.3 Billion of Education Programs — The Republican resolution matches the funding level in the President's budget, which eliminates 48 education programs, including:

- vocational education – all programs entirely eliminated (\$1.3 billion);
- all education technology programs (\$522 million);
- Safe and Drug-Free Schools state grants (\$437 million);
- GEAR-UP, a college readiness program for low-income students (\$306 million); and
- Even Start family literacy program (\$225 million).

Special Education Never Reaches "Full Funding" — The Republican resolution freezes the federal share of special education funding at only 18.6 percent of the costs, still less than half of the federal promise to pay up to 40 percent of costs, and \$3.6 billion short of the 2006 level in the reauthorization that the President signed into law three months ago. We will never reach "full funding" at this rate.

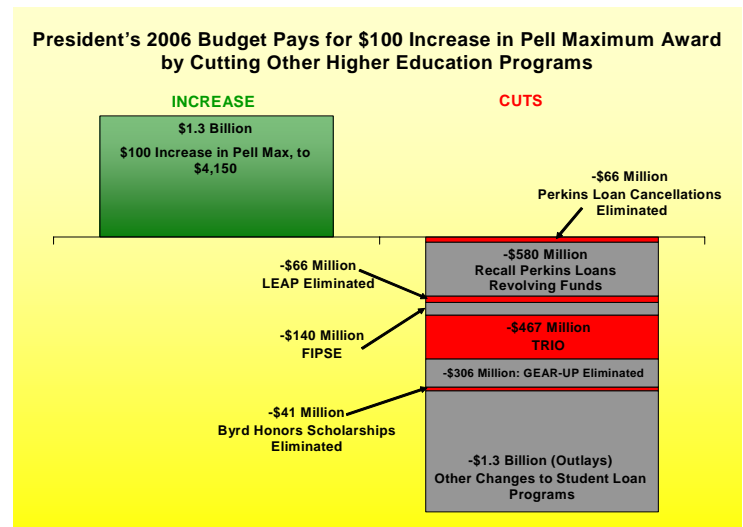
Budget Will Cut Student Loans — The Republican budget requires the Committee on Education and the Workforce to cut \$2 billion in spending in 2006, and \$21 billion over five years. These cuts match the President's cut in student loans and non-Social Security pension and disability programs within the Committee's jurisdiction. Some of the President's proposals hurt students by raising fees for student loans, ending students' ability to consolidate their loans at a fixed interest rate, and not only eliminating the Perkins Loan program but also forcing colleges to repay prior federal Perkins contributions.

Democrats Help Students

Democrats Reject Republican Cuts to Education — The Democratic budget rejects the Republican education cuts, providing \$4.5 billion more for 2006 appropriations for education, training, and social services than both the President’s budget and the House Republican budget. This funding can not only preserve current education programs, it can also support increases in high priority programs such as special education, programs that increase student achievement, and access to post-secondary education.

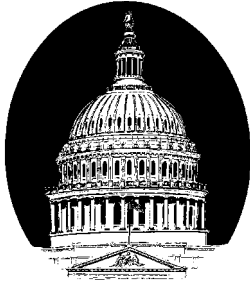
Democrats Support “No Child Left Behind” Programs — Over five years, the Democratic budget provides \$41 billion more in appropriations than the Republican budgets for education, training, and social services. This additional funding in the Democratic budget can support important programs to improve student achievement under the No Child Left Behind Act. For example, the Democratic budget can provide additional resources for Title I (the Department of Education’s largest program that helps students meet new, strong student achievement standards), programs to improve teacher quality, and reading programs, among others.

Democrats Raise Maximum Pell Grant — The Democratic budget increases the maximum Pell Grant by \$100 per year for the next ten years, twice the increase in the Republican budgets, which freeze the maximum Pell Grant after five years. And unlike the Republican budget, the Democratic budget does not cut other college aid programs to pay for its Pell Grant increase. The Democratic budget also pays off the current \$4.3 billion shortfall in the Pell Grant program, putting it back on a sound financial basis.



Democrats Lower the Cost of Student Loans —

The Democratic budget lowers the cost of student loans, provides additional benefits to students, extends forgiveness of up to \$17,500 of loans for certain teachers in low-income schools, and increases loan limits for first and second-year students.



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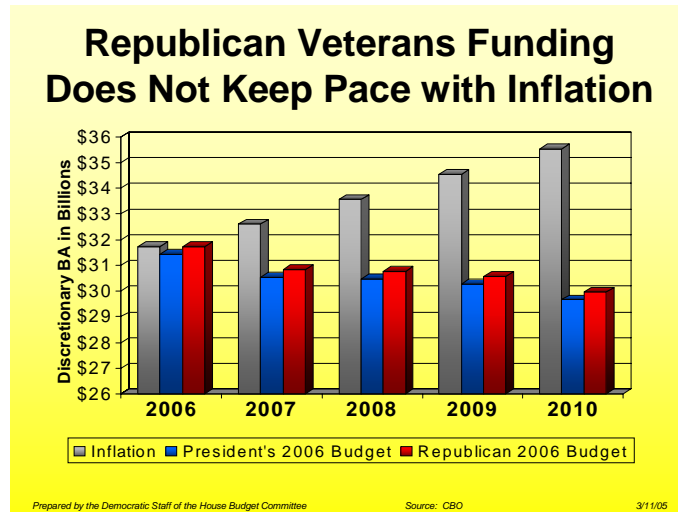
Veterans: Republican Budget Underfunds Health Care and Cuts Benefits

Republican Budget is Less than Needed for Veterans' Health Care — The Republican budget for 2006 increases funding \$1 billion, or 3.2 percent, above the enacted level for 2005, just up to the amount CBO estimates is needed to maintain current purchasing power. But this level is insufficient because Republicans underfunded veterans' health care in 2005, providing \$1.5 billion less than needed to adequately fund services for current veterans and to accommodate the growing population of Iraq and Afghanistan war veterans (i.e., the amount Reps. Chris Smith and Lane Evans recommended last year). In contrast, the Democratic budget provides \$1.6 billion more for 2006 for veterans' health care – an increase up to the Smith-Evans level, plus inflation – and includes \$17 billion more than the Republican budget over the next five years. This will:

- improve access and reduce waiting time for all veterans;
- accommodate new health care demands, particularly those returning from Iraq and Afghanistan.
- meet statutory requirements for long-term care by increasing the current number of nursing home beds to 1998 levels;
- increase funds for medical facility construction and renovation; and
- provide the resources necessary for more responsive reviews of claims and appeals.

Republican Budget Cuts Veterans' Benefits — The Republican budget also includes reconciliation instructions to the Committee on Veterans' Affairs to legislate \$798 million in cuts to veterans' mandatory programs. The instructions provide no direction to the VA Committee on which programs to cut, but the choices are limited, and only can be achieved in one of two ways: 1) reducing veterans' benefits, such as disability compensation for veterans who were wounded in combat, pension benefits, education benefits, and death benefits; or 2) imposing new fees, like those the President proposed in his 2006 budget. The President's budget includes new enrollment fees and increases drug co-payments for Priority 7 and Priority 8 veterans. In contrast, the Democratic budget includes no new fees and maintains current benefits.

Republican Budget Fails to Keep Pace with Inflation — The Republican budget quickly falls behind the amount needed to maintain these programs at their current levels. In 2007, the budget is \$1.8 billion below the amount CBO estimates is needed to keep pace with inflation. Over five years, the Republican budget is \$14 billion short of the total needed just to maintain services at the 2005 level.



Argument That Veterans Spending Is out of Control Is Specious — Republicans argue that veterans' health care funding is rising too rapidly. It is true that budget authority for VA hospitals and veterans' medical care has risen sharply from approximately \$18 billion in 1999 to about \$29 billion this year. However, this increase is attributed completely to inflation and the increase in the number of veterans enrolling in the system. The cost per veteran has not increased. In fact, from 1997 to 2003, VA health care expenditures per unique patient decreased 1.9 percent per year. As a point of comparison, private health care expenditures per capita in the U.S. over the same period increased more than 6 percent per year.

Veterans Reject Republican Proposals

Here's what veterans have to say about the President's budget:

Disabled American Veterans:

“This budget proposal is bad news for the nation’s veterans, made even more distressing in light of the war in Iraq and military operations in Afghanistan and elsewhere.”

American Legion:

“Is the goal of these legislative initiatives to drive those veterans paying for their health care away from the system designed to serve veterans? The President is asking Congress to make ‘health care poaching’ legal in the world’s largest health care delivery system.”

Veterans of Foreign Wars:

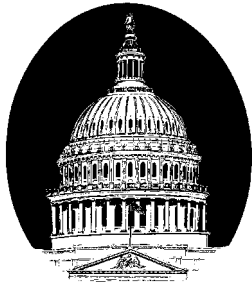
"This budget will cause veterans' health care to be delayed and may result in the return of six-month-long waiting periods. That is especially shameful during a time of war."

Vietnam Veterans of America:

“The budget unveiled today by the administration fires another volley in what appears to be a budget war on America’s veterans. It does a disservice to those of us who donned the uniform to defend the rights, principles, and freedoms that we hold dear. It does not bode well for those returning from the fighting in Iraq and Afghanistan.”

Paralyzed Veterans of American:

“The Administration’s ’06 budget request provides very little, if any, new appropriated dollars for the VA health care system. It relies on optimistic third-party collections, accounting gimmicks and punitive and totally unrealistic management efficiencies to derive its budget.”



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Republican Budget Imposes Harmful Cuts on America's Communities and Families

Republican Budget Targets Cuts to Those Who Have the Least — The Republican budget resolution directs nine House committees to cut mandatory spending by \$7.8 billion in 2006 and by \$68.6 billion over five years. Most of these cuts will reduce critical services for vulnerable individuals and families in our society who already have the least; yet Republicans continue to cut taxes for America's most fortunate. The Democratic budget supports families and communities and rejects policies that take from those who already have the least.

Food Stamps Face Cuts of Up To \$5 Billion — The Republican budget requires the Agriculture Committee to cut spending by more than \$5 billion over five years. There is reluctance to change farm subsidies this year, so food stamps would likely bear the brunt of cuts, even though there is little so-called "waste, fraud, and abuse" in the program. Only 2 percent of food stamp payments go to ineligible households. Consequently, cutting \$5 billion from food stamps would mean removing some low-income households from the program or reducing benefit amounts below the current average of \$1 per person per meal. The Democrat budget rejects food stamp cuts.

Income Security For the Most Vulnerable Cut By Up To \$19 Billion — The Republican budget requires the Ways and Means Committee to cut spending from programs under its jurisdiction by \$18.7 billion over five years. Excluding Medicare and Social Security, almost all remaining Ways and Means programs provide income security for individuals and families facing hardships, such as unemployed workers, low-income elderly and disabled, and the working poor and their children. If Medicare is left alone, nearly all of the \$18.7 billion in cuts would come from reducing income security. Examples of how a cut of this size would affect vulnerable individuals include (every year for the next five years):

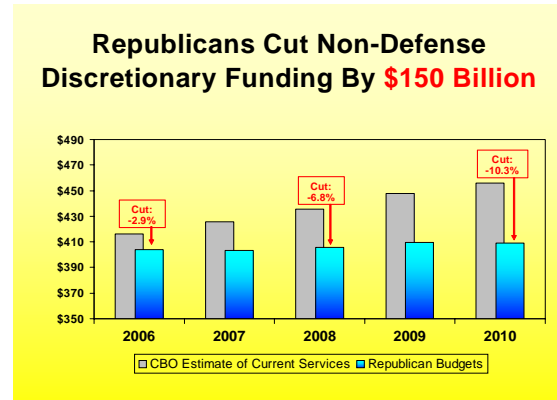
- ▶ Cutting cash assistance and work supports – such as help with transportation to get to and from a job – by 23% for 2 million of the country's poorest families, or
- ▶ Eliminating all mandatory funding for child care assistance for low-income working families and cutting the Social Services Block Grant by 60%, or
- ▶ Cutting federal assistance for foster care by 80%, or
- ▶ Raising taxes by 11% on 19 million low-income families receiving the EITC, or
- ▶ Cutting SSI payments by about 10% , or roughly \$46 a month, for almost 7 million

elderly and disabled Americans.

The Democratic budget provides \$31 billion more than the Republican budget for Ways and Means programs over five years.

Budget Deeply Cuts Non-Defense Programs — The Republican budget imposes deep cuts in non-defense discretionary (NDD) funding for 2006 and every following year. It cuts NDD funding for 2010 by \$47 billion (10.3 percent) below the amount needed to maintain current purchasing power, and by a total of \$150 billion over the five-year period. These cuts are unrealistic, but if imposed, they could fall on any NDD program such as veterans' health care,

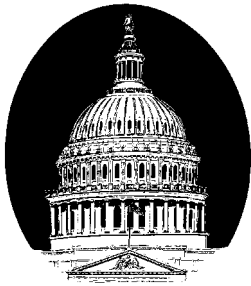
education, homeland security, child care, or environmental protection. The Democratic budget protects services that improve quality of life for our veterans and our communities.



Republican Budget Undermines Communities' Quality of Life — The Republican budget assumes funding for community development programs for 2006 that is \$1.5 billion below last year's level, adjusted for inflation. While this is \$1.1 billion more than the President's budget provides, at this funding level the Community Development Block Grant program (CDBG) could be eliminated, as the President's budget proposes. CDBG successfully tailors funds to local needs, thereby enhancing the quality of life for millions. CDBG funds provide affordable housing, rehabilitate distressed communities, and supply a range of social services and public facilities such as roads, libraries, and community centers. The Democratic budget provides \$9 billion more than the Republicans for community development programs over five years.

Republican Budget Cuts Housing for the Disabled and Low-Income Families — The President's budget eliminates the HOPE VI program for transforming dilapidated public housing into thriving communities. It also slashes funding for supportive housing for the disabled by 50 percent, and it fails to provide funding to address the \$21 billion backlog of public housing capital needs. The House Republican budget assumes even less funding than the President's budget for appropriated income-security programs, including housing. The Democratic budget preserves the current level of housing services and rejects Republican budget cuts that will lead to a decline in the quality of housing for low-income families.

Republican Budget Erodes Child Care Services — The President's budget freezes child care funding at \$4.8 billion for the fourth straight year, with no adjustment for inflation. As a result, 300,000 fewer children will be served in 2006 than were served in 2002. To restore service to 2002 levels requires \$500 million more than last year, yet the House Republican policy is to increase funding by only \$200 million a year. Federal and state child care funding currently serves only one of four eligible children. The Democratic budget increases child care funding by \$11 billion over five years.



HOUSE BUDGET COMMITTEE

Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Democratic Member

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Republican Budget is Wrong Prescription for Medicaid House Republican Budget Cuts Medicaid More Deeply Than the President

Republican Budget Cuts Medicaid More Deeply Than the President's Budget — The House Republican budget directs the Energy and Commerce Committee to cut spending on programs within its jurisdiction by \$20 billion over five years. All indications are that Medicare is “off the table.” If that is the case, then the bulk or all of this \$20 billion cut will fall on Medicaid. This cut far exceeds the Medicaid cut in the President's budget, which incorporated a package of spending and savings for a net cut of \$7.6 billion over five years for health programs within the Energy and Commerce Committee's jurisdiction.

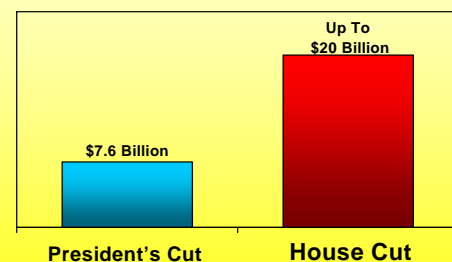
There Are No Pain-Free Cuts — Medicaid cuts will shift costs to the states, beneficiaries or health care providers. States would be forced to reduce Medicaid coverage or benefits, thereby further increasing the number of low-income Americans who are uninsured or under-insured. Reductions in Medicaid payments to providers would undermine the ability of safety net providers to continue to provide health care services to our nation's most vulnerable populations. Alternatively, states would be forced to raise taxes to cover the extra cost, or cut other types of state spending.

Medicaid Provides Health Coverage to the Most Vulnerable Members of Our Society — Medicaid is the nation's major public health program for low-income Americans, financing health and long-term care services for more than 52 million people, providing a source of health insurance for 39 million low-income children and parents, and a critical source of acute and long-term care coverage for 13 million elderly and disabled individuals, including more than 6 million low-income Medicare beneficiaries.

Cutting Medicaid Reflects Misplaced Priorities — The budget cuts Medicaid in the name of deficit reduction, but that deficit was caused in large part by tax cuts that benefitted the most affluent

Republican Budget Cuts Medicaid More Deeply Than President's Budget

Five-Year Cut (FY 2006-2010) in Billions



CBO Re-estimate of the President's Budget for FY06; HBC Reported Budget Resolution

members of our society. Governor Huckabee (R-AR) stated it best when he said “People need to remember that to balance the federal budget off the backs of the poorest people in the country is simply unacceptable.” (December 2004)

There is Widespread Opposition To Arbitrary Budget Cuts —

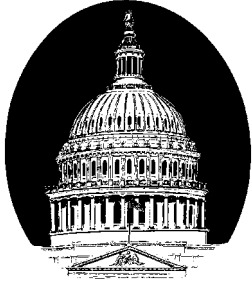
- **Governors Oppose Arbitrary Budget Targets** — Both Republican and Democratic governors have stated that they do not want an arbitrary budget target to drive any Medicaid policy, nor do they want costs shifted to the states.
- **Faith-Based Organizations Oppose Cuts in Health Care Services for Vulnerable Populations** — Twenty-nine faith-based groups representing a range of religious beliefs wrote to the President and Members of Congress that “We believe that every human being is endowed with worth and dignity and created in the image of God. Reducing the deficit by cutting health care services for poor children, elderly sick people and the disabled undermines this dignity and is morally wrong.” (February 3, 2005)
- **National Consumer, Advocacy and Provider Groups Oppose Medicaid Cuts** — A group of over 1000 national and local advocacy, consumer, and provider groups wrote to the President opposing any cuts or caps to the Medicaid program, arguing that any cuts will impair the program’s ability to continue to meet the health care needs of low-income children, parents, seniors, pregnant women, and people with disabilities.
- **Local Governments Oppose Medicaid Cuts** — Republican Mayor Bloomberg of New York City wrote to the House and Senate Budget Committees that “Medicaid reform should not be part of a 2006 fiscal year budget reduction and reconciliation process. (March 3, 2005)

Democratic Budget Protects and Strengthens Health Care Safety Net

Democratic Budget Restores Medicaid Funding — The Democratic budget protects Medicaid by maintaining the current federal commitment to the program and rejecting the mandatory cuts in the Republican budget. Under the Democratic budget, Medicaid can continue to serve as the health care safety net and provide health care to over 52 million low-income and disabled people.

Democratic Budget Prevents Expiration of Certain Assistance Programs — Unlike the Republican budget, the Democratic budget extends Transitional Medicaid Assistance, benefitting 1.1 million individuals who leave welfare for work. The Democratic budget also continues to help 210,000 low-income seniors with the cost of their Medicare premiums — another provision that the Republican budget allows to expire.

Democratic Budget Protects Public Health System — The combination of public health and Medicaid cuts in the Republican budget is particularly problematic — if Medicaid is cut, more people may turn to the public health system, and the Republican budget fails to meet that need. The Democratic budget restores nearly \$2 billion in cuts to the public health system, and ensures that these programs maintain the purchasing power they had in 2005.



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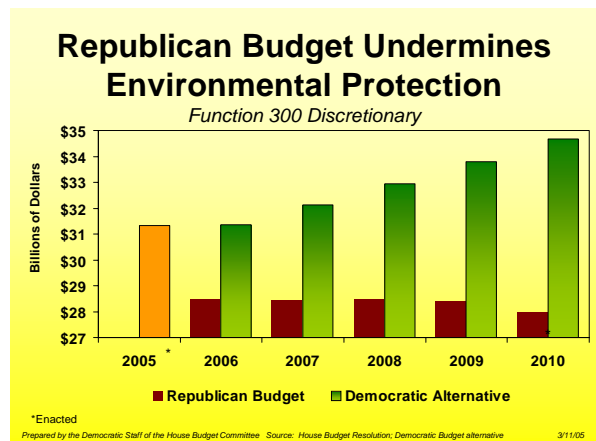
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Environment: Republicans Ignore Environmental Needs

Environment Will Suffer for Years to Come — House Republicans provide only \$28.5 billion in discretionary funds for 2006, a cut of nearly \$3 billion (9 percent) from the 2005 enacted level. Their funding levels in 2010 will be \$3.3 billion below the 2005 enacted level. Simply stated, the Republican budget cuts the federal commitment to environmental protection.



Democratic Budget is Green — Democrats steadfastly believe in the public’s right to clean air and safe drinking water. For 2006, the Democratic budget provides \$31.3 billion in discretionary funds for these and other vital environmental protection programs, \$3 billion more than the Republican budget. From 2006-2010, the Democratic budget will provide \$23 billion more than Republicans for environmental conservation, protection, and preservation programs.

Republicans Share President’s Environmental “Priorities” — Similar to the President’s budget, the Republican budget also rejects critical environmental needs, sharing the President’s misplaced environmental “priorities” in the process.

Republicans Share President’s Environmental Priorities

- Environment funding CUT by over **9 percent**.
- **FAILS** to address water supply contamination from leaking petroleum and MTBE.
- Clean water infrastructure programs CUT by about **30 percent**.
- **FAILS** to protect wildlife, conservation, recreation, and preservation needs.
- Farm conservation programs CUT by over **\$450 million**.
- **FAILS** to protect coastal waters and habitats and to control nonpoint pollution and debris.

Prepared by the Democratic Staff of the House Budget Committee Source: OMB, House Republican Budget Resolution 3/15/05

Democrats Support Safe Water — The Democratic budget provides \$725 million more than the President and House Republicans for water quality programs in 2006 to help communities across the country modernize and

rebuild their wastewater infrastructure. Analyses by EPA, CBO, and other organizations have found that the nation's water systems need significant investments in infrastructure to ensure the provision of safe drinking water and to better protect public health. In a 2004 national poll, 81 percent of the country was extremely/very concerned about clean drinking water, and 76 percent felt equally concerned about the cleanliness of the nation's lakes, rivers, and waterways. Each year, nearly 8 million Americans are sickened by waterborne illnesses. In addition, sewage pollution costs Americans billions of dollars every year in medical treatment, lost productivity, and property damage.

Democrats Protect Farmers and Ranchers — The Democratic budget restores well over \$450 million in cuts supported by the President and House Republicans. It assumes the level of spending as authorized in the 2002 Farm Bill. This includes programs such as the Environmental Quality Incentives Program, the Wildlife Habitat Incentives Program, Farmland Protection, Agriculture Management Assistance, and the Watershed Rehabilitation Program.

Democrats Increase Funding for State and Private Forestry — Democrats restore cuts imposed by the President and House Republicans for State and Private Forestry, including the Economic Action Program (EAP), which provides critical restoration support to rural communities and businesses. Nearly all of the lands at risk from wildfire are non-federal, and could be aided by this funding.

Democrats Address Ocean and Coastal Management — Democrats believe that it is vital to protect U.S. coastal waters and habitats and to control nonpoint pollution and debris. As such, the Democratic budget restores cuts made by the President and House Republicans for NOAA's ocean and coastline restoration programs. This ensures that Americans can continue to enjoy our beaches and coastal waters for swimming, boating, fishing, and other recreation. Coastal watershed counties account for less than 25 percent of U.S. land area but are home to over 50 percent of the U.S. population. Furthermore, oceans and coastal areas contribute over \$1 trillion dollars annually to the U.S. economy.

Democrats Restore Drastic Conservation Cuts — The Democratic budget provides \$111 million more than the President and House Republicans to restore their cuts to the Land and Water Conservation Fund, the primary funding source for preserving parks, forest, wildlife refuges, and open space. The Democratic budget also maintains the stateside LWCF program.

Democrats Restore Cuts to Army Corps of Engineers — Democrats recognize the nation's premier water-related infrastructure agency's commitment to addressing the economic, ecological, and humanitarian needs of the country. The Democratic budget provides over \$400 million more than the President and House Republicans in 2006 for the Army Corps to provide flood control and storm protection, navigation, and environmental restoration in communities throughout the country.