Center on Budget and Policy Priorities

820 First Street, NE, Suite 510
Washington, DC 20002

Tel: 202-408-1080
Fax: 202-408-1056

center@cbpp.org
www.cbpp.org

CBPP STATEMENT

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Contact:
Shannon Spillane, 202-408-1080, spillane@cbpp.org

STATEMENT OF ROBERT GREENSTEIN ON HOUSE SPEAKER BOEHNER'S NEW BUDGET PROPOSAL

House Speaker John Boehner's new budget proposal would require deep cuts in the years immediately ahead in Social Security and Medicare benefits for current retirees, the repeal of health reform's coverage expansions, or wholesale evisceration of basic assistance programs for vulnerable Americans.

The plan is, thus, tantamount to a form of "class warfare." If enacted, it could well produce the greatest increase in poverty and hardship produced by any law in modern U.S. history.

This may sound hyperbolic, but it is not. The mathematics are inexorable.

- The Boehner plan calls for large cuts in discretionary programs of $1.2 trillion over the next ten years, and it then requires additional cuts that are large enough to produce another $1.8 trillion in savings to be enacted by the end of the year as a condition for raising the debt ceiling again at that time.

- The Boehner plan contains no tax increases. The entire $1.8 trillion would come from budget cuts.

- Because the first round of cuts will hit discretionary programs hard — through austere discretionary caps that Congress will struggle to meet — discretionary cuts will largely or entirely be off the table when it comes to achieving the further $1.8 trillion in budget reductions.

- As a result, virtually all of that $1.8 trillion would come from entitlement programs. They would have to be cut more than $1.5 trillion in order to produce sufficient interest savings to achieve $1.8 trillion in total savings.

- To secure $1.5 trillion in entitlement savings *over the next ten years* would require draconian policy changes. Policymakers would essentially have three choices: 1) cut Social Security and Medicare benefits heavily for *current retirees*, something that all budget plans from both parties (including House Budget Committee Chairman Paul Ryan's plan) have ruled out; 2) repeal the Affordable Care Act's coverage expansions while retaining its measures that cut Medicare payments and raise tax revenues, even though Republicans seek to repeal many of those measures as well; or 3) eviscerate the safety net for low-income children, parents, senior citizens, and people with disabilities. There is no other plausible way to get $1.5 trillion in entitlement cuts in the next ten years.

(more)

- The evidence for this conclusion is abundant:

  - The "Gang of Six" plan, with its very tough and controversial entitlement cuts, contains total entitlement reductions of $640 to $760 billion over the next ten years not counting Social Security, and $755 billion to $875 billion including Social Security. (That's before netting out $300 billion in entitlement *costs* that the plan includes for a permanent fix to the scheduled cuts in Medicare physician payments that Congress regularly cancels; with these costs netted out, the Gang of Six entitlement savings come to $455 to $575 billion.)

  - The budget deal between President Obama and Speaker Boehner that fell apart last Friday, which included cuts in Social Security cost-of-living adjustments and Medicare benefits as well as an increase in the Medicare eligibility age, contained total entitlement cuts of $650 billion (under the last Obama offer) to $700 billion (under the last Boehner offer).

  - The Ryan budget that the House passed in April contained no savings in Social Security over the next ten years and $279 billion in Medicare cuts.

To be sure, the House-passed Ryan budget included much larger overall entitlement cuts over the next 10 years. But that was largely because it eviscerated the safety net and repealed health reform's coverage expansions. The Ryan plan included cuts in Medicaid and health reform of a remarkable $2.2 trillion, from severely slashing Medicaid and killing health reform's coverage expansions. The Ryan plan also included stunning cuts of $127 billion in the SNAP program (formerly known as food stamps) and $126 billion in Pell Grants and other student financial assistance.

That House Republicans would likely seek to reach the Boehner budget's $1.8 trillion target in substantial part by cutting programs for the poorest and most vulnerable Americans is given strong credence by the "Cut, Cap, and Balance" bill that the House recently approved. That bill would establish global spending caps and enforce them with across-the-board budget cuts —*exempting* Medicare and Social Security from the across-the-board cuts while subjecting programs for the poor to the across-the-board axe. This would turn a quarter century of bipartisan budget legislation on its head; starting with the 1985 Gramm-Rudman-Hollings law, all federal laws of the last 26 years that have set budget targets enforced by across-the-board cuts have *exempted* the core assistance programs for the poor from those cuts while *including* Medicare among programs subject to the cuts. This component of the "Cut, Cap, and Balance" bill strongly suggests that, especially in the face of an approaching election, House Republicans looking for entitlement cuts would heavily target means-tested programs for people of lesser means (and less political power).

In short, the Boehner plan would force policymakers to choose among cutting the incomes and health benefits of ordinary retirees, repealing the guts of health reform and leaving an estimated 34 million more Americans uninsured, and savaging the safety net for the poor. It would do so even as it shielded all tax breaks, including the many lucrative tax breaks for the wealthiest and most powerful individuals and corporations.

President Obama has said that, while we must reduce looming deficits, we must take a balanced approach. The Boehner proposal badly fails this test of basic decency. The President should veto the bill if it reaches his desk. Congress should find a fairer, more decent way to avoid a default.

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