

# **Overview of the House Republican Reconciliation Proposal**

*May 10, 2012*

**REPORT PREPARED BY THE OFFICE OF UNITED STATES  
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# Table of Contents

1. Overview
2. Food and Nutrition
3. Health Care
4. Federal Employees
5. Financial Reform

## Overview

Today, the House will be voting on the Sequestration Replacement Reconciliation Act, which replaces the Budget Control Act that was approved last August. Once again, House Republicans have rejected reasonable compromise and proposed a budget reflecting their extremist approach, providing additional tax giveaways for millionaires while slashing \$315 billion over the next ten years, primarily on programs that assist the poor and elderly.<sup>1</sup>

The House Fiscal Year 2013 budget reconciliation proposal gives massive tax breaks to the wealthy and Big Oil, ends the Medicare guarantee, and increases health care costs for seniors. Out-of-touch Republicans steadfastly refuse to ask millionaires to contribute one cent to the deficit, while leaving huge defense spending programs untouched and slashing Medicare, Medicaid, food assistance for the poor, and other vital services.

The bill includes provisions from six House Committees consisting of significant cuts to the following areas:

- **Agriculture** - \$35.8 billion by decreasing food stamp benefits.
- **Energy & Commerce** - \$49 billion by reducing health care benefits.
- **Financial Services** - \$31.1 billion by weakening the Dodd-Frank Wall Street Reform law.
- **Judiciary** - \$48.6 billion by limiting medical malpractice lawsuits.
- **Oversight & Government Reform** - \$83.3 billion by requiring federal workers to contribute an additional 5 percent towards their retirement.
- **Ways & Means** - \$68.2 billion by repealing the Social Services Block Grant and requiring repayment of certain federal health subsidies.<sup>2</sup>

## Food & Nutrition

About \$128 billion—40 percent of the total mandatory program savings — comes exclusively from cutting assistance targeted to low- and moderate-income families, while protecting tax cuts to upper income earners. Programs singled out for cuts include Supplemental Nutrition Assistance Program (SNAP - formerly known as food stamps) Medicaid, the Children's Health Insurance Program, and services for children, the elderly and disabled persons.<sup>3</sup>

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<sup>1</sup> CQ House Action Report. Sequestration Replacement, May 9, 2012. <http://www.cq.com/doc/har-4078842>

<sup>2</sup> Ibid.

<sup>3</sup> Center on Budget and Policy Priorities. House Budget Bills Would Target Programs for Lower-Income Families. <http://www.cbpp.org/cms/index.cfm?fa=view&id=3767>

At a time when millions of workers are still unemployed, House Republicans have chosen to slash \$33.2 billion from SNAP benefits to more than 47 million people nationwide starting July 1. Their proposal also throws 1.8 million people off of food assistance entirely.

SNAP benefits to low and moderate-income families are extremely modest, averaging only about \$1.50 per person, per meal. At the same time, Republicans refused to reduce even by one dollar generous taxpayer subsidies to huge agricultural businesses.<sup>4</sup>

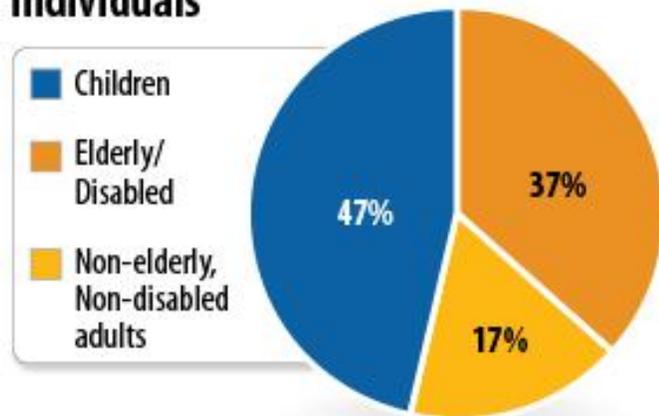
Residents in the state of Michigan received \$3.1 billion in federal food assistance in FY 2011. In 2013, 146,800 Michigan residents are estimated to lose benefits under this resolution.<sup>5</sup>

Forgotten Harvest, a nonprofit organization whose mission is focused on alleviating hunger made the following statement:

*“We are heartbroken at any potential funding cuts that will harm people already facing dire need,” said Susan Goodell, President & CEO of Forgotten Harvest, the nation’s largest food rescue serving people living in need of food in southeast Michigan. “A major portion of these cuts will hurt households with children and seniors. From first-hand experience, we know that the hundreds of thousands of vulnerable people we provide food assistance to are least able to expand their current financial resources when government safety net programs are cut.”*

The proposal would eliminate the Social Services Block Grant, which provides states and localities with flexible funds for specialized programs tailored to address needs in their communities. Michigan, struggling to bounce back from the recession, would lose an additional \$54 million to fund services like Meals on Wheels, transportation for seniors and the disabled, prevention of child abuse and neglect, and child care assistance to help low-income parents get back to work.<sup>6</sup>

### More than Half of SNAP Recipients Are Children, Elderly, and Disabled Individuals



Source: CBPP analysis of data from USDA Food and Nutrition Service, FY 2010

Center on Budget and Policy Priorities | [cbpp.org](http://cbpp.org)

<sup>4</sup> Center on Budget and Policy Priorities. House Agriculture Committee Proposal Would Cut 2 Million Off Food Stamps. <http://www.cbpp.org/cms/index.cfm?fa=view&id=3749>

<sup>5</sup> Impacts of the House Republican Budget Resolution on Food Assistance. [http://www.whitehouse.gov/sites/default/files/cuts\\_to\\_snap\\_table.pdf](http://www.whitehouse.gov/sites/default/files/cuts_to_snap_table.pdf)

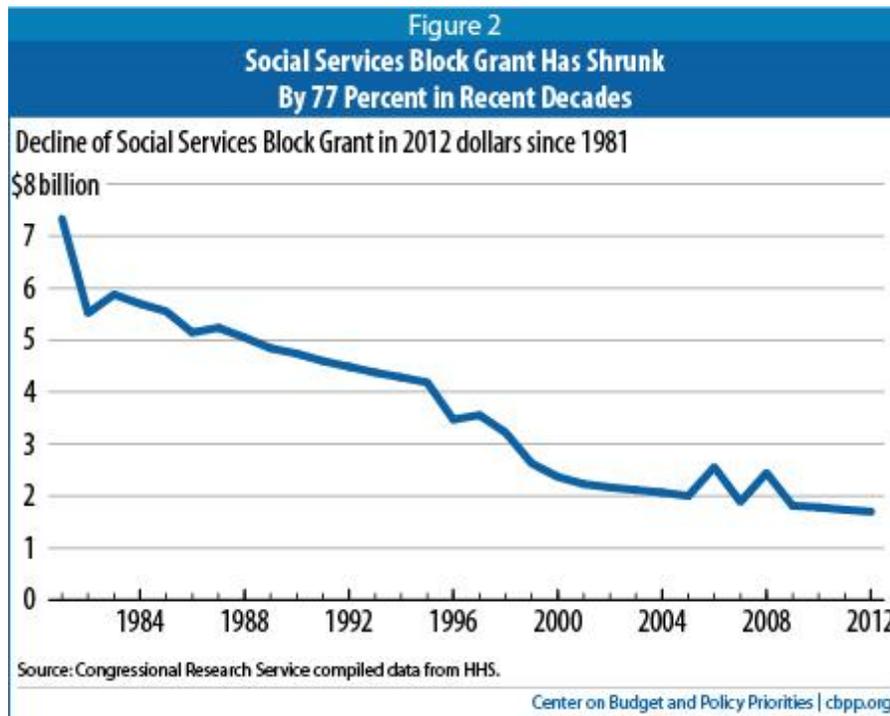
<sup>6</sup> U.S. Department of Health and Human Services, FY 2012 SSBG Allocations. <http://www.acf.hhs.gov/programs/ocs/ssbg/docs/esalloc12.html>

Additionally, about 1.7 million seniors would lose “Meals on Wheels” and other community-based services allowing them to stay in their homes. Further, nearly 300,000 children would lose free school lunches from the child nutrition program in addition to the reduced food assistance at home.

Teachers across the state are particularly concerned at the cuts to child nutrition, understanding how it impacts children’s health and ability to learn:

*“MEA would like to express our strong opposition to cuts to SNAP and free school meals in the House Reconciliation bill,” said Steven Cook, MEA President. “Michigan educators know first-hand that hungry children cannot learn, and that access to an adequate and healthy diet is essential to academic success. Yet, far too many children lack consistent access to healthy food. Hungry children are often irritable, feel ill, lack concentration and more likely to be absent from school. Attempting to balance the budget on the backs of hungry children and families, while continuing to support tax breaks for millionaires and large corporations, is simply unconscionable and contrary to our values as a nation.”*

Despite GOP claims that these programs are costly and duplicative, data from the Congressional Research Service shows that funding for Social Services Block Grant has been cut by 77 percent in recent years, even in the face of the worst recession in decades.<sup>7</sup>



<sup>7</sup> Center for Budget and Policy Priorities. Eliminating Social Services Block Grant Would Weaken Services <http://www.cbpp.org/cms/index.cfm?fa=view&id=3765>

## Health Care

The House Republican plan drastically cuts overall health care expenditures by \$115 billion, including repealing provisions of the Affordable Care Act, cuts to Medicaid and medical malpractice reform. The proposed cuts of \$22.7 billion in Medicaid, would leave 300,000 children uninsured within three years.

The legislation would repeal funding for Prevention and Public Health by \$11.9 billion. Since 2010, organizations in Michigan have received more than \$22.8 million in support for programs such as breast cancer and cervical screenings, child immunizations, and disease prevention. Cutting health care prevention is penny wise and pound foolish, as these funds prevent much more costly treatments for diseases in the future.

The Area on Aging is a nonprofit agency that receives funding to services for older adults, persons with disabilities and family caregivers in Livingston, Macomb, Monroe, Oakland, St. Clair and Washtenaw. They are particularly concerned with cuts to senior programs:

*“The Area Agency on Aging 1-B is opposed to provisions of the FY 2013 Budget Reconciliation that impose severe funding cuts to important programs that help older adults and adults with disabilities live independently in their home,” said Tina Abbate Marzolf, Chief Executive Officer. “Social Services Block Grants are the only consistent source of federal funding for Adult Protective Services, which respond to the growing number of elder abuse and financial exploitation crimes throughout the United States. The Prevention and Public Health Fund supports innovative, evidence-based programs that reduce the need for costly medical care. Through programs supported by the PPHF, individuals are taught to manage chronic illnesses such as diabetes, and ways to reduce their risk of falling, a leading cause of death and injury for older Americans.”*

The proposal eliminates \$13.5 billion in funding for state insurance exchanges to help individuals and small businesses to compare health plans and determine if they are eligible for tax credits. Under the exchange, residents would be able to shop for health insurance in transparent and competitive marketplaces, where insurers would be required to publish the prices and benefits of their policies in simple, plain language.

This bill would just shift the costs to states to implement this tool that greatly levels the playing field for small business and individuals trying to purchase health care without the buying power of big businesses.<sup>8</sup>

<sup>8</sup> Ascension Health. Actual Factual Information about Health Care. <http://www.smallbusinessmajority.org/books/actual-factual-information-about-healthcare-reform/Actual-Factual-Information-About-Healthcare-Reform.pdf>



## Federal Employees

The House Republican budget reconciliation package also tries to balance the budget on the backs of hardworking federal employees. The Committee on Oversight and Government Reform passed on a party-line vote legislation that generates \$83 billion by requiring all federal employees, including postal workers, to increase their contributions for their retirement benefits. This will effectively impose an average pay cut of more than \$30,000 over the next ten years on every federal employee.

As of 2010, Michigan had 55,391 active federal employees and 41,947 federal retirees across a range of agencies including the Department of Commerce, Veterans Affairs, Defense, Treasury in addition to postal workers across the state. This legislation will pull approximately \$1.66 billion out of the pockets of active federal workers in Michigan over the next decade. Michigan's Ninth District had 4,496 active federal employees as of 2010, as well as 4,120 retirees. The Republican reconciliation package will cost federal workers in Oakland County approximately \$135 million over the next decade.<sup>9</sup>

### Michigan Ninth Congressional District Number of Federal Employees and Retirees, November 2010

In the Ninth Congressional District of Michigan, there are 8,616 federal employees and retirees. Below is the breakout by federal agency and county. (**NOTE:** Some counties overlap congressional districts; all attempts were made to include all pertinent counties in this table. We apologize if some are not in this district or if a county was omitted from this table.)

County	TOTAL ALL AGENCIES	DEFENSE/ DHS	VETERAN AFFAIRS	TREAS.	AGRIC.	INTERIOR	TRANSP.	COMMERCE	LABOR	POSTAL*	SOCIAL SECURITY	FEDERAL RETIREES	OTHER
Oakland	8616	96	16	231	11	3	33	52	7	3782	172	4120	93
<b>TOTAL</b>	<b>8616</b>												

Source: Office of Personnel Management, Federal Employment Statistics, November 2010.

\*Source: U.S. Department of Labor, Bureau of Labor Statistics, Quarterly Census of Employment, 2009.

These new Republican cuts to federal employee compensation are in addition to the \$60 billion in cuts resulting from the two year pay freeze and \$15 billion in cuts resulting from increased retirement contributions on new federal employee enacted earlier this year in H.R. 3630, the Middle Class Tax Relief Act of 2012.

## Financial Reform

The Republican reconciliation bill eliminates the only government program that exists to help homeowners who are struggling with foreclosure and need help obtaining a loan modification.

<sup>9</sup> State of Michigan, Michigan Number of Federal Employees and Retirees, November 2010. [http://eyeonwashington.com/few\\_map\\_2010/htm/Michigan.html](http://eyeonwashington.com/few_map_2010/htm/Michigan.html)

The Home Affordable Modification Program is designed to help underwater homeowners obtain a mortgage that is easier for them to afford. The program has successfully helped 1.1 million homeowners and the median reduction in monthly mortgage payment is \$535.<sup>10</sup> According to the most recent report issued by the Department of Treasury, there have been almost 25,000 permanent modifications in Michigan through the HAMP program. In just the Metro Detroit area there are more than 16,000 total active modifications.<sup>11</sup> The Republican reconciliation bill would eliminate the HAMP program and end what is a vital lifeline for struggling homeowners.

	Program-to-Date	Reported Since Prior Period
HAMP Permanent Modifications Started	993,522	19,940
2MP Modifications Started	76,218	5,085
HAFA Agreements Completed	40,252	4,486
FHA-HAMP and RD-HAMP Permanent Modifications Started	6,131	346
UP Forbearance Plans Started (through Feb. 2012)	20,402	809
<b>Cumulative MHA Activity<sup>1</sup></b>	<b>1,136,525</b>	<b>30,666</b>



As a Member of the Financial Services Committee and the Dodd Frank Wall Street Reform and Consumer Protection Act conference committee, I played a key role in helping to author and pass the most sweeping financial regulatory reform bill in generations. Unfortunately, the Republican Reconciliation bill makes dangerous cuts that weaken financial regulation and put families at greater risk of being taken advantage of.

One of the signature accomplishments of the Dodd Frank Act is the creation of the Consumer Financial Protection Bureau, an independent consumer watchdog with authority over banks as well as non-bank actors like mortgage brokers and payday lenders. In order to ensure this new regulator is as independent and strong as possible and put it on equal footing with other bank regulators like the Federal Reserve and the Federal Deposit Insurance Corporation, Congress gave it a dedicated stream of funding.

The Republican reconciliation bill repeals direct funding for the CFPB and subjects it to the annual appropriations process. However, they make no provisions to appropriate funding for the CFPB claim the bureau's entire budget of \$5.4 billion as savings.

In the short time that the CFPB has existed it has already taken extraordinary steps to make our financial system safer for consumers. It has created simpler, easier to understand credit card agreements, it has issued draft closing disclosures that will take the confusion out of buying a home, it has cracked down on private lenders in the student loan market, and it has extended important assistance to older Americans and to our nation's service members – two groups often

<sup>10</sup> U.S. Department of Treasury. Making Home Affordable. Program Performance Report Through March 2012. <http://www.treasury.gov/initiatives/financial-stability/results/MHA-Reports/Documents/Mar%202012%20MHA%20Report%20Final.pdf>

<sup>11</sup> U.S. Department of Treasury. Making Home Affordable. HAMP Activity by Metropolitan Statistical Area <http://www.treasury.gov/initiatives/financial-stability/results/MHA-Reports/Documents/MSA%20Data%20March%202012.pdf>

targeted by unscrupulous lenders. The Republican reconciliation bill would put an end to all of these efforts.

The Republican reconciliation bill also leaves our nation vulnerable to another financial crisis, and actually gives our government fewer tools to respond if large, systemically important financial institutions fail. During the financial crisis it became clear that regulators didn't have access to the kinds of tools needed to seize failed institutions, and were left with only two choices – Federal Reserve or TARP financed bailouts or liquidation through the bankruptcy code. None of these choices are ideal – bailouts leave taxpayers on the hook for the cost of fixing our financial sector, and as we saw with the failure of Lehman Brothers, bankruptcy can create panic in the markets that can spread to the larger economy and bring down Main Street businesses.

Our economy requires a healthy banking system to invest excess capital and help Main Street companies expand and create jobs. That is why the Dodd Frank Act creates what is known as orderly liquidation authority; essentially Congress gave the FDIC the power to seize and unwind large systemically risky institutions using a mechanism similar to that used to shut down failed banks. Using this authority, federal regulators will use the assets of the institution itself to pay off creditors and counterparties, and when those assets are exceeded the costs of liquidation will be paid for through an assessment on the financial industry. The Republican reconciliation bill repeals this authority, and leaves our government with no way to respond to another financial crisis.

Republicans claim that getting rid of orderly liquidation authority will save taxpayers \$22.6 billion, but these savings are merely the result of an accounting gimmick. When the non-partisan Congressional Budget Office adds up the costs or savings of a particular piece of legislation, it only looks forward ten years. In this instance, the CBO assumes that in any ten year window there is a chance the government may have to seize and unwind a financial institution, and it may not recover all of the funds used to take action in the same ten year budget window. If the CBO looked out indefinitely they would find that the program actually has no impact on the budget and no cost to taxpayers.

## **Conclusion**

In summary, I call on members of Congress on both sides of the aisle to reject this “reverse Robin Hood” budget that takes food from the mouths of the poor and middle class and gives tax breaks to the rich. We need to develop and pass a balanced proposal that creates American jobs, expands opportunity for all, reduces the deficit, and protects the health and well-being of children and families.