

SUMMARY OF HOUSE BUDGET COMMITTEE'S BUDGET PLAN

The House Budget Committee's FY 2007 budget proposal cuts funding for domestic discretionary programs, requests significant tax cuts that deepen the deficit and primarily benefit the wealthy, and increases defense spending.

The budget would force deep cuts in domestic discretionary programs. The Budget Committee's plan provides \$10.3 billion less in funding for domestic discretionary programs in 2007 than is needed to ensure that these programs merely keep pace with inflation. This level would result in reductions for a broad range of public services – from education and childcare to transportation and public safety – that eventually would have an impact on every Oregonian.

Environmental programs that protect the health of Oregonians would see significant cuts under the House plan. Federal funds that ensure safe drinking water in Oregon would be cut by 14 percent in 2007. Air quality programs would be cut by 16 percent. With thirteen Oregon communities now at risk of failing to meet federal air quality standards, the reduced funding would come at a particularly bad time.

Rural Oregon would be particularly hard hit. Funding for rural health clinics that serve people without insurance would be substantially cut back under this plan. Since the highest rates of uninsurance in Oregon are among residents of rural regions of the state, this policy would be particularly harmful to rural Oregon.

Cuts to mandatory, or "entitlement," programs could impact key social services. The House proposal also requires House committees to pass legislation cutting entitlement programs by \$6.8 billion over five years. This "reconciliation" instruction is of particular concern for programs under the jurisdiction of the House Ways and Means Committee, which would have to make over half the cuts (\$4.0 billion) in programs under its jurisdiction. It is too soon to know what the Ways and Means Committee would cut, but among the programs considered for the chopping block would be Title XX, SSI, child support, childcare, and the Earned Income Tax Credit.

The House budget fails to include funding requested by the President that would avert significant increases in the number of uninsured. The President's budget and the Senate-passed budget both contain funding to plug a 2007 shortfall in the State Children's Health Insurance Program (SCHIP). Oregon is currently not among the states experiencing this shortfall because we have not fully utilized our SCHIP funding. The House budget plan also fails to extend "Transitional Medical Assistance," the component of Medicaid that continues Oregon Health Plan coverage for up to a year when a family works its way off welfare. If the SCHIP funding shortfall is not closed and the Transitional Medical Assistance program is not continued for families leaving welfare for work, thousands of children and low-wage workers across the country will lose their health coverage.

The House budget proposes substantial tax cuts that are not paid for and that disproportionately benefit high-income households. The house budget proposes \$228 billion in tax cuts over five years and assumes that middle-income relief from the Alternative Minimum Tax (AMT) will expire at the end of 2006. If AMT relief is permanently continued and indexed for inflation as most people expect, the five-year cost rises to \$605 billion. Over time, the only way to pay for these cuts is by cutting domestic program spending. The result would be a shift in resources from the poor and middle class to those who already are the most well-off.

The House budget would increase the federal deficit by \$254 billion. The "savings" from the various program reductions in the House budget would not be used for deficit reduction. Instead, the House budget uses these savings to offset a portion of the cost of the \$228 billion in tax cuts, as well the defense spending increases. Overall, the House budget plan would increase the deficit over the next five years by \$254 billion relative to what deficits would be if current policy was left unchanged.