

Unbalanced Debt Ceiling Deal Cuts Vital Programs; Critical Fights Ahead

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For months, far-right members of Congress have been threatening to force the U.S. to default on its obligations unless Congress enacts devastating cuts to programs vital to women and their families – without touching tax breaks for millionaires, billionaires and corporations. Congressional leaders and the Administration have reached an agreement that would allow the debt ceiling to be increased so that the nation can pay its bills and avert a disastrous default, but at a painful price. The deal would make deep cuts to vital programs without ensuring any increase in revenues to contribute to deficit reduction. However, critical decisions will be made over the next few months that will determine whether there will be even deeper cuts – or whether millionaires and corporations will be required to contribute their fair share.

The deal has three main components:

- Nearly **\$1 trillion in discretionary spending cuts** over ten years. More than half of the cuts would come from non-defense spending; the White House says the caps on discretionary spending “will put us on track to reduce non-defense discretionary spending to its lowest level since Dwight Eisenhower was President” – over 50 years ago.
- A bipartisan congressional “**super-committee**” **charged with proposing another \$1.5 trillion in deficit reduction** over ten years. The super-committee may consider further cuts to discretionary programs; cuts to any entitlement program (including safety net programs such as Medicaid, Social Security, and SNAP/Food Stamps); and revenue increases, in any combination. The committee’s recommendations will receive an up or down vote by the end of 2011.
- **Automatic cuts** (split 50/50 between defense and non-defense) to take effect in 2013 if the super-committee’s plan is not enacted or fails to achieve at least \$1.2 trillion in deficit reduction. Key mandatory safety net programs, such as Medicaid, Social Security, and SNAP/Food Stamps, would be exempt from automatic cuts, as they have been in past automatic deficit reduction plans; Medicare cuts would be capped and limited to providers.

Each piece of the plan has different implications for key programs, summarized below.

- **Discretionary spending.** The discretionary portion of the federal budget requires annual appropriations to fund programs that help women protect their health, obtain quality child care and higher education, and help them meet their basic needs during difficult times and as they age – including Head Start, child care, K-12 education, family planning and other women’s health services, domestic violence prevention, job training, Pell grants, and services for the elderly. Security spending (for, e.g., the Departments of Defense, Homeland Security, and Veterans Affairs) is also part of the discretionary budget.

The debt ceiling bill cuts nearly \$1 trillion between fiscal years 2012 and 2021 by establishing caps on discretionary spending. For fiscal years 2012 and 2013, there is a “firewall” between security and non-security spending, designed to ensure that proportional spending reductions are derived from each category. However, this firewall disappears after two years, meaning a greater percentage (or all) of the cuts needed to meet the caps in later years could come from non-security programs. The bill provides funding to protect increased Pell grants, but a wide range of other programs that serve women and their families are at risk for swift and steep cuts.

The super-committee may consider further cuts to discretionary spending, as well as cuts to entitlement programs and revenue increases, to reach \$1.5 trillion in deficit reduction over 10 years. But if the super-committee cannot agree on a plan, or Congress does not enact its plan, or the plan does not achieve at least \$1.2 trillion in deficit reduction, discretionary spending (both security and non-security) would be subject to automatic, across-the-board cuts beginning in 2013. While mandatory programs for low-income families and individuals generally would be exempt from automatic cuts (including Medicaid, Social Security, SNAP/Food Stamps), discretionary programs for low-income women and families – such as Head Start, maternal and child health, Title X family planning services, low-income housing and energy assistance – would not be spared.

- **Medicaid.** Medicaid provides health care coverage to low-income individuals who are elderly and live with disabilities, as well as low-income children, parents, and pregnant women. In 2007 nearly seven in ten elderly individuals who relied on Medicaid for assistance were women, and nearly eight in ten non-elderly adults – mostly pregnant women and low-income parents – were women.

Medicaid is not subject to reduction in the initial round of cuts because it is not a discretionary program, nor will it be cut automatically if Congress fails to approve the super-committee’s recommendations, because it is an exempt safety net program. However, Medicaid is at risk in the deliberations of the super-committee that will be tasked with coming up with \$1.5 trillion in further deficit reduction. The program was already targeted for deep budget cuts in the House-passed budget legislation. Depending on the magnitude of the cuts, Medicaid beneficiaries could end up losing eligibility and, for those who remain on the program, access to services. Furthermore, deep cuts to Medicaid will seriously undermine the success of the Affordable Care Act. The Kaiser Family Foundation estimates that more than 50 percent of the currently 19 million uninsured women would gain coverage through Medicaid in 2014. If states no longer have federal assistance to serve these women – along with the men and children who will also gain eligibility for Medicaid – the Affordable Care Act cannot succeed.

- **Medicare.** Medicare is a federal health insurance program that funds basic health care services for 47 million individuals who are elderly and/or have disabilities. Women constitute more than half of the individuals with Medicare. Because women, on average, are poorer, live longer and have more health care needs than men, Medicare (sometimes combined with Medicaid) potentially plays a greater role for them in preventing illness and destitution.

Medicare, like Medicaid, is not in the initial round of cuts. Unlike Medicaid, Medicare would be subject to some automatic cuts – up to a two percent reduction in payments to Medicare providers – if the super-committee cannot reach agreement. Such cuts in provider payments could affect the availability of services to beneficiaries; in addition, the super-committee can consider direct cuts in Medicare services and eligibility.

- **Affordable Care Act.** When it takes full effect in 2014, the Affordable Care Act (ACA) will help ensure that women and their families have improved access to more affordable, comprehensive health coverage and health care. If automatic cuts are triggered in 2013, implementation of this law by states and the federal government could be hampered. Under the ACA, federal agencies have specific responsibilities to set key details about the new programs, and states are eligible for funding to help plan for and run these new programs. Cutting funding for these responsibilities would make implementation more difficult and threaten the promise of the ACA. Additionally, protections in the ACA for low- and moderate-income families could be at risk from automatic budget cuts.
- **Social Security.** Social Security is a social insurance program that protects workers and their families when income is lost due to retirement, disability, or death. Social Security is especially important to women's economic security: for nearly three in ten female beneficiaries 65 and older, Social Security is virtually the only source of income.

Social Security is not in the initial round of cuts and will not be subject to automatic cuts. However, though Social Security is a social insurance program with its own dedicated funding and \$2.6 trillion in reserves, the super-committee can consider cuts to Social Security, such as reducing the annual cost-of-living adjustment and raising the retirement age, to meet its \$1.5 trillion deficit reduction goal.

- **Other entitlement programs.** Like Medicaid, Medicare, and Social Security, other entitlement programs – such as the Supplemental Nutrition Assistance program (SNAP, formerly food stamps), the Child Care and Development Block Grant program (CCDBG mandatory funding), and Temporary Assistance for Needy Families (TANF) – are not subject to the initial \$1 trillion in cuts, which apply only to discretionary programs. These low-income safety net programs, and the refundable Earned Income Tax Credit and Child Tax Credit, would also be protected from automatic cuts. However, any of these could be targeted for cuts by the super-committee.
- **Taxes.** The deal does not require any increased revenues to contribute to deficit reduction, although tax cuts enacted during the Bush era are a major cause of increased deficits and the \$1 trillion cost of tax expenditures in 2010 exceed combined spending on Medicare and Medicaid. The initial \$1 trillion in deficit reduction does not include any increase in revenues. Moreover, the automatic cuts that will take effect if the super-committee plan does not pass Congress or generates less than \$1.2 trillion in deficit reduction will only address the spending side of the budget – there will be no automatic reductions in tax breaks for oil companies, owners of corporate jets, or hedge fund managers. However, the super-committee will have the authority to raise revenue as part of its deficit reduction plan.