



June 28, 2006

Federal Budget Bill would make Significant Cuts in Services for Missourians: The Real Impact of the Gregg Bill on Missouri (S. 3521)

Kerri McBee, Outreach Director

Amy Blouin, Executive Director

What is the Gregg Bill?

The Budget Committee of the U.S. Congress recently passed a far-reaching bill that would dramatically restructure federal budget procedures, require significant caps in domestic programs and require severe cuts to nearly all domestic programs. Additionally, the bill shields tax cuts from pay-as-you go rules at the expense of federal services. The bill, referred to as the “Gregg Bill” after its sponsor Senator Judd Gregg, is likely to be considered by the full Senate this summer.

This bill:

- Imposes new caps on federal funding for all “discretionary” domestic programs, excluding only space, science and technology. The caps would lock in the President’s most recent budget for the next three years.
- Requires that the deficit be reduced by 2012 to .5% of the Gross Domestic Product. The burden for the deficit reduction is placed on funding of services and would amount to cuts totaling \$252 billion in 2012 alone.
- Places the entire burden of deficit reduction on service cuts, shielding tax cuts from the pay-as-you-go rules.

The Cost of the Gregg Bill to Services under the new Cap:

The bill would lock in the funding cuts in the President’s current budget proposal, requiring **\$66 billion in cuts** to services over that period alone. A summary of projected cuts as analyzed by the Center on Budget & Policy Priorities¹:

<i>Examples of Funding Cuts Required in 2009 by Service</i>	
Service Area	Estimated Percent Cut from Service Area Budget
Energy	10%
Education, Training and Employment, and Social Services	11%
Natural Resources & Environment	15%
Health Care	8%
Community & Regional Development	16%
Veterans Benefits	6%

¹ “Gregg Bill would make far-reaching changes in Budget Rules”, Center on Budget & Policy Priorities , June 26, 2006, available at: <http://www.cbpp.org/6-19-06bud.htm>

As indicated, every area of discretionary domestic programs would be impacted. The percentage of cuts would result in very real impacts for families. Some poignant examples:

- WIC (the nutritional program for low income and at risk pregnant women, infants and children) would be reduced by \$459 million in 2009 alone, resulting in the elimination of services for 680,000 people.
- Vocational and adult education would be cut by 73.5% or \$1.5 billion in 2009 alone, resulting in severe cuts to vocational education training in Missouri.
- Children and Family Services including an array of services: head start, services for abused and neglected children, and more would be cut by 15% or 1.4 billion.
- LIHEAP (Low Income Home Energy Assistance Program) would be cut by 1.6 billion

The service reductions will result in severe cuts to funding for services in all states including Missouri. Missouri's current fiscal constraints make it highly unlikely that the state would be able to pick up funding of these services. Very real cuts to families in the state would result.

The Cost of the Gregg Bill to Services under the Deficit Reduction Requirement:

The Gregg bill requires that the federal deficit be reduced by 2012 to .5% of the Gross Domestic Product. The burden for the deficit reduction is placed on discretionary domestic programs alone. Federal Tax cuts, Defense Spending and Social Security are exempt from reducing the deficit. This provision alone would require a **shocking \$1.7 Trillion** in cuts to domestic programs between 2007 and 2016. The severity of the cuts will result in far-reaching reductions to the array of domestic programs provided by the federal government. Again, the state fiscal situation in Missouri would not allow for the state to plug the holes where the federal government makes cuts.

Examples of the breadth of reductions²:

<i>Examples of Funding Cuts Required between 2007-2016</i>	
Service Area	Estimated Cut from Service Area Budget
Medicare	\$708 Billion
Medicaid/SCHIP	\$374 Billion
Earned Income Tax Credit & Child Tax Credit	\$61 Billion
Military Retirement	\$61 Billion
SSI (Supplemental Security Income)	\$58 Billion
Unemployment Insurance	\$57 Billion
Veterans Benefits	\$51 Billion
Food Stamps	\$46 Billion
TANF, Child Support Enforcement, and related	\$25 Billion
Farm Programs	\$21 Billion
School Lunch/Child Nutrition	\$20 Billion
Foster Care/Adoption	\$10 Billion
Student Loans	\$4 billion

The severity and breadth of the cuts described will impact every aspect of state services including health care, nutrition, and economic security. All industries in the state would be negatively affected: farm and agriculture sustainability, military personnel and veterans' services, employers and economic development will be strained through reductions in vocational education, job training, and community development cuts, health care providers will again face severe funding cuts for Medicaid and Medicare services. Every sector of the population would be negatively impacted from seniors to children, farmers to urban developers, veterans to adoptive families.

² As analyzed by the Center on Budget & Policy Priorities: "Gregg Bill would make far-reaching changes in Budget Rules", Center on Budget & Policy Priorities, June 26, 2006, available at: <http://www.cbpp.org/6-19-06bud.htm>

Pay as You Go Rules

The Gregg bill is particularly notable because it places the burden of deficit reduction entirely on domestic programs and services, and makes no attempt to restore fiscal accountability measures known as the “Pay as You Go” (or PAYGO) rules. Restoring PAYGO would require that any spending changes or tax cuts be paid for by a reduction or increase in another program, thereby reducing reliance on deficit spending and deficit financing of tax cuts. The PAYGO rules have been advocated by an array of fiscal accountability experts including the Government Accountability Office and Alan Greenspan, former chairmen of the Federal Reserve. The Gregg bill makes no attempt to restore fiscal accountability through this proven measure, and instead results in severe cuts to domestic services.

Conclusion

This brief is not intended to be an exhaustive analysis of the Gregg bill, but a quick review of some major components. The Gregg bill has many other items that are of concern including establishment of a line-item veto, and establishment of a new federal Commission on Medicaid and Medicare solvency. Both items have far reaching impacts that are not addressed here. For more detailed information regarding this bill you may access a complete analysis at www.cbpp.org.

However, the items outlined in this brief should cause concern for all Missourians, and give policy makers pause.

The Missouri Budget Project is a statewide, nonprofit, nonpartisan organization that informs the public about the state’s budgetary and tax policy options and their impact on low-income Missourians.