Dissenting Views of the Democratic Members on the Committee on Ways and Means Entitlement Reconciliation Recommendations for Fiscal Year 2006

We strongly oppose the Republican budget reconciliation legislation brought before the Committee because it takes America in the wrong direction. The measure cuts assistance to families and children to finance additional tax breaks for the wealthy. Furthermore, as part of a two-step process (which includes a second bill on taxes), this legislation will drive our nation even deeper into debt, drowning future generations in an ever-growing sea of red ink.

We believe there is a better way. First, we need to revisit the endless stream of tax cuts going to those with incomes in excess of $200,000 a year. Studies have shown that it has been the tax cuts, not programs serving the neediest of families, that are most responsible for the deterioration in the budget outlook, and these tax cuts have produced little economic bang for the buck.

Second, on the spending side, there are a host of options to which the Committee could have turned to raise funds without targeting nation's underprivileged. For example, an amendment offered by Representatives Stark and Emanuel would have replaced the Republican bill with a proposal to eliminate billions of dollars of waste and corporate welfare. This amendment would have reduced overall federal spending <u>more</u> than the Republican bill without shredding the social safety net for America's families. In addition, the Democratic amendment would have increased resources to help working families find quality child care.

The amendment accomplished this by reforming payments to HMOs and other private plans under the Medicare Advantage program. Under current Medicare law, as amended by the Medicare Modernization Act of 2003, private plans are paid, on average, approximately115 percent of the cost of traditional Medicare. This increased spending depletes the Medicare Part A Trust Fund and raises Medicare Part B premiums for all beneficiaries. The amendment would eliminate these overpayments. While plans would no longer be overpaid, neither would they be paid less than fee-for-service. Specifically, the amendment would save at least $20 billion over five years by:

- Repealing the Preferred Provider Organization slush fund that starts in 2007;
- Codifying the Administration's proposal to collect savings that result from reducing HMO payments to reflect the relative health of their enrollees;
- Basing payments to HMOs and other private plans on fee-for-service rates in the same area; and
- Eliminating the phony, unjustified medical education payment given to HMOs and other private plans in the Medicare Modernization Act of 2003.

These policies reflect MedPAC recommendations. Two of them were included in the Senate Finance Committee's Reconciliation package that was reported out by Republicans just yesterday. They are sound policy, and deserve consideration.

Another amendment offered by Representative Cardin would have provided a temporary one percent Medicare payment increase to physicians, and protected beneficiary premiums from rising as a result of the increased physician fees.

Despite the fact that nearly the entire spectrum of spending programs within the Committee's jurisdiction was in the Chairman's bill, and despite that Medicare changes will obviously be discussed in any potential conference with the Senate, the Chair prohibited votes on the substance of these amendments. This deprived Members of an opportunity to express themselves on important Medicare issues that are likely to be discussed in any conference. It also clearly established that those supporting the Chairman prefer to protect insurance companies and target programs that predominantly serve low-income and vulnerable populations.

We find the Republican bill's impact on families and children particularly troubling. The legislation rehashes past, ill-conceived proposals from the majority on reauthorizing the Temporary Assistance for Needy Families (TANF) program. This GOP TANF bill has been roundly criticized by Governors, Mayors, poverty experts and religious leaders. We have articulated our many concerns about these policy provisions over the past four years, so we will not reiterate them here except to say that this version of the bill is even worse because it cuts $1 billion in funding for child care and TANF compared to past versions of the majority's proposal.

Beyond the proposed changes in TANF policies, the following represent our primary concerns about the Republican bill's impact on families and children.

- CUTS IN CHILD SUPPORT – The Republican bill undermines the Federal commitment to collecting child support, which will reduce the amount of support ultimately sent to families. The bill would reduce Federal funding for child support enforcement by nearly 40% by 2010. *The Congressional Budget Office estimates this will reduce collections being sent to families by $21.3 billion over the next 10 years.* Republicans are proposing to slash funding for child support enforcement despite the fact that President Bush's budget cites the program as "effective" and "one of the highest rated block/formula grants of all reviewed programs government-wide." We see no wisdom in cutting child support payments to families, reducing our commitment to ensuring parental responsibility and sticking the States with a huge financial burden. It is therefore extremely unfortunate that the majority defeated an amendment by Representatives Levin and Pomeroy to reject these cuts.

- CUTS IN CHILD CARE ASSISTANCE – By not allowing child care funding to maintain pace with inflation, the bill will reduce the number of children receiving child care assistance by over 100,000 within five years. This reduction would occur at the same time the Republican bill proposes to dramatically increase work requirements for welfare recipients, which will require much more child care, not less. Combining both inadequate funding and new work requirements in welfare will cut child care coverage even more for low-income working families who are <u>not</u> on welfare – by 270,000 children by 2010 according to one analysis.

- CUTS IN WORK SUPPORTS – The Temporary Assistance for Needy Families (TANF) program has not kept pace with inflation and has therefore lost 17% of its real value since it was established. The Republican bill continues this decline (leading to a 25% cut in the real value of TANF within five years). In addition, it eliminates the High Performance Bonus within TANF, cutting $1 billion from the program over the next five years (this bonus rewards States for job gains and employment retention and advancement among former welfare recipients). Only a little over one-third

of TANF now goes towards cash assistance, with the remainder being spent on work supports and other aid to families.

- CUTS IN FOSTER CARE – The Republican bill includes two provisions that will reduce the number of children who are eligible for Federal foster care assistance, particularly those who live with grandparents and other relatives. First, the bill overturns an important court ruling (Rosales v. Thompson) issued by the Ninth Circuit Court in 2003 that resulted in more children becoming eligible for Federal foster care assistance in California and other western States. And second, the bill limits Federal assistance for case management services for otherwise eligible children who live with relatives whose homes have not been licensed.

Perhaps the Republican philosophy on issues related to families and children was most clearly reflected in the majority's vote to defeat an amendment by Representative McDermott to establish a general *goal* of reducing and ultimately eliminating child poverty.

In addition to opposing all of the previously mentioned cuts, we question the wisdom of cutting $700 million from the Supplemental Security Income (SSI) program, especially in the context of this bill designed to partially offset tax cuts. SSI acts as a safety net for aged and disabled Americans who have little or no Social Security or any other income.

Finally, we oppose the Republican proposal to repeal the Continued Dumping and Subsidy Offset Act, commonly known as the Byrd Amendment. This provision allows duties collected from unfair trade imports to be distributed to U.S. farmers and businesses and their workers – all of whom have been injured by foreign producers selling dumped or unfairly subsidized products in the United States, and all of whom continue to be injured even after an antidumping/anti-subsidy order has been issued. The funds provided are essential to allow American companies to make needed investments in their workforce, plants and equipment – and to survive in the face of persistent unfair trade practices.

The Committee's action on the Byrd Amendment also raises serious questions about how the Committee intends to deal with trade law matters in the Doha Round. When we allow a provision of law like this to be repealed, we send

a signal to our farmers, workers and businesses across the country that their government will not stand up for their rights and interests.

Congress has directed the Administration to resolve the World Trade Organization (WTO) dispute over the Byrd Amendment in ongoing trade negotiations. Congress included language in the FY2004 and FY2005 omnibus appropriations bills that explicitly requires the Administration to conduct negotiations within the WTO to recognize the existing right of all countries to distribute monies collected from antidumping and countervailing duties as they determine appropriate. Changing or repealing provisions in the midst of ongoing negotiations in the WTO is tantamount to unilateral disarmament.

In addition, buckling under to international pressure on this critical measure would send a terrible signal and hurt the cause of free and fair trade. The WTO decision against this measure was unjustified and reflected overreaching and unjustified encroachment on U.S. sovereignty. WTO bureaucrats should not be permitted to dictate to the Congress how it may appropriate U.S. funds. Distrust of the WTO and world trading system will only grow if the United States submits to decisions of this kind.

Finally, maintaining a strong manufacturing and agricultural base is vital to the economic and national security of the United States. Ensuring fair trade enables U.S. manufacturers and their workers to make continued investments to preserve their global competitiveness. The Byrd Amendment plays a critical role in securing the competitiveness of American businesses and farmers, and therefore it is very unfortunate that the majority defeated an amendment by Representative Tubbs Jones to maintain this important provision.

America can do better, much better. We can come together and agree on a budget that speaks to our values. If sacrifices have to be made, then those who can afford to sacrifice should be first in line, rather than getting even more at the expense of everyone else. Sadly, the Republican bill goes in a very different direction, and for that reason, we oppose it.

October 28, 2005

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James A. McDermott — Charles B. Rangel

Thomas J. Jefferson — John Lewis

Chas. Bunn — Pete Stark

Mike Thompson — John B. Larson

Rahm Emanuel — Sandy Levin

Stephanie Tubbs Jones — Michael R. McNulty

Earl Pomeroy — Richard E. Neal

Ben Cardin