FIRST FOCUS
MAKING CHILDREN & FAMILIES THE PRIORITY

Summary of the Budget Conference Agreement

May 2015

Recently, mostly along party lines, the U.S. House of Representatives and the U.S. Senate passed a conference agreement on the budget resolution, S. Con. Res 11, for fiscal year (FY) 2016. This is the first time in six years (since 2009) that Congress has agreed upon a budget resolution. This non-binding budget resolution proposed by Republicans assumes a balanced budget by FY 2024, cutting approximately $5 trillion over ten years, and repeals the Affordable Care Act (ACA). About $4 trillion will be from changes to mandatory entitlements that would have to be addressed in separate legislation by relevant congressional committees. This analysis on the budget conference focuses on programs that impact children: Medicaid, the Supplemental Nutrition Assistance Program (SNAP), tax provisions, sequestration/discretionary spending, and reconciliation instructions that would require cuts to federal investments in children. Democrats oppose the budget because of its cuts to domestic priorities and its repeal of the health reform law. Some Republicans oppose it because they do not think the plans goes far enough in reducing spending. With the support of the Administration, Democrats have signaled that they will vote against appropriations bills that align with the FY 2016 spending caps.

Medicaid and the Children's Health Insurance Program

The conference agreement includes approximately $500 billion in cuts to Medicaid, as well as a repeal of the ACA. While the earlier House and Senate versions of the FY 2016 budget resolution specifically called for a Medicaid block grant to states, the final version only directed Congress to give states increased state flexibility in implementing their Medicaid programs. However, Congress would have few options to secure savings of this magnitude without imposing a block grant or per capita cap to reduce federal Medicaid payments to states. A block grant or per capita cap would replace Medicaid's guarantee of health care for eligible individuals, including children and pregnant women, with annual allotments to states that fail to adjust for population growth, economic changes, public health crises, or natural disasters. If $500 billion in cuts is enacted, states would have no choice but to make significant changes to their Medicaid programs to make up for the loss of federal dollars, including changes to who is eligible for Medicaid, increases in out-of-pocket costs to families for services, reductions in benefits and services that are available to Medicaid enrollees, and cuts in payments for providers that provide services. The final agreement also establishes a deficit-neutral reserve fund for the Children's Health Insurance Program, allowing changes to the program without adding to the deficit.

The Supplemental Nutrition Assistance Program

SNAP is not specifically addressed in the budget agreement, in contrast to the House proposal that would have made the program a block grant (also termed "State Flexibility Funds"). Instead, there are approximately

Sarah Kyle, Vice President, Budget | sarahk@firstfocus.org

$300 billion in cuts to agriculture programs, which could include SNAP. Roughly 50 percent of SNAP recipients are children, meaning any changes to SNAP would impact about 22 million children.

Tax Provisions

The conference agreement does not extend the 2009 Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC) enhancements, which are set to expire in 2017. About 38 million American families benefit from the CTC, and the EITC helps lift 26 million families out of poverty. If EITC and CTC provisions expire, more than 16 million people in low- and moderate-income working families, including 8 million children, would fall into – or deeper into – poverty.

Sequestration/Discretionary Spending

The conference agreement maintains the sequestration caps for FY 2016 -- $523 billion for defense and $493.5 billion in non-defense discretionary (NDD) spending -- funding for education, housing, pediatric disease research, nutrition programs for children, pregnant women, and babies, and other important investments in children. These spending levels would be at the lowest in a decade and stand in stark contrast with President Obama's budget that would increase NDD to $530 billion, an increase of about $38 billion. Starting in FY 2017 through 2025, the conference agreement lowers the caps and cites $575 billion in cuts over a decade as part of the budget. The budget conference also limits the use of changes in mandatory programs (that yield savings) in appropriations bills, further reducing the amount of discretionary funding available.

President Obama has said he will not sign appropriations legislation unless there is an overall agreement to raise discretionary spending, and he also insists on parity between non-defense and defense. According to Office of Management and Budget Director Shaun Donovan, "The president has made very clear he will not accept a budget that locks in sequester and he will not accept a budget that severs that vital link between defense and non-defense." This is a signal for a potential deal in the future on spending levels for FY 2016.

Reconciliation

While the president does not sign budget resolutions into law, he will consider reconciliation legislation. Reconciliation legislation cannot be filibustered in the Senate, which lowers a procedural hurdle and only requires 50 votes for passage. There are limits on substance, however, in that the legislation must achieve savings. The Senate and House budget resolutions each included a different series of reconciliation instructions to a number of committees to come up with a certain amount of savings by a certain date this year. The concurrent resolution limited the number of committees that received reconciliation instructions to the house committees on education and workforce; energy and commerce; and ways and means and the Senate committees on finance and health, education, labor, and pensions. Each of these committees has been tasked with coming up with savings of at least $1 billion over ten years and devising legislation to repeal the ACA by July 24, 2015.

It is widely anticipated that the U.S. Supreme Court will have a decision on the *King vs. Burwell* decision by the end of June, which could potentially find that health care subsidies offered on federal exchanges are illegal. This decision could impact reconciliation legislation.

Unlike the House budget, the conference agreement does not include specific reconciliation instructions for agriculture committees in the House or Senate, but there are other changes to the budget that could impact child nutrition programs, as mentioned previously. The conference agreement also provides authority to the U.S. House of Representatives Committee on the Budget chairman to make adjustments to these instructions.