

White House budget deal imposes cuts in health care, education, home heating aid

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Details of the 2011 budget deal reached last Friday averting a federal government shutdown reveal that President Obama agreed to steep reductions in critical social programs affecting working and poor people.

The \$38.5 billion in cuts includes hundreds of millions of dollars in reductions in home heating assistance; the elimination of over \$3 billion in unused Children's Health Insurance Program (CHIP) funds; the slashing of hundreds of millions from the Women, Infants and Children (WIC) nutrition program; \$600 million in cuts to community health care centers; the elimination of \$1 billion in HIV and other disease prevention funds; and a variety of other cuts in social welfare programs and public infrastructure.

Even as the House and Senate Appropriations Committees on Tuesday released the text of the spending bill resulting from the White House cave-in to Republican demands, administration officials were making clear that Obama was prepared to agree to further and even more onerous cuts in the fiscal 2012 budget as part of a deal for the Republican-controlled House of Representatives to pass a bill raising the US debt limit, thereby avoiding a default on Washington's public debt.

Obama is set to speak today at George Washington University on his plan for longer-term deficit reduction. The plan, White House officials have said, will call for major cuts in the basic health care programs for the elderly and the poor, Medicare and Medicaid, and give the administration's backing to talks on cutting back Social Security, the retirement benefit program for seniors.

Obama will present his assault on the basic US social reforms enacted in the 20th century as a "fair" and "reasonable" alternative to the even more brutal proposals being put forward by the Republicans. While reiterating his support for a sharp cut in the corporate tax rate, Obama will call for Bush-era tax cuts for the rich, which the White House extended for two years last December, to be allowed to expire at the end of 2012. This will supposedly demonstrate Obama's commitment to "shared" sacrifice to reduce the deficit.

The House and Senate, which approved a stop-gap bill late Friday to keep the government operating through April 14, are set to vote Thursday on the agreement that was reached to cut \$38.5 billion in domestic spending for the current fiscal year, which ends October 1. This is expected to pass on the basis of votes from most House Republicans.

A large majority of Democrats will likely vote "no" to register their formal—and meaningless, in practical terms—disapproval, as will a section of the most right-wing Republicans aligned with so-called "Tea Party" groups. The latter oppose the agreement for not cutting more deeply and for abandoning demands to defund family planning services, environmental protection and National Public Radio, among other programs.

House Republicans have made clear that going forward, in exchange for a vote to raise the debt limit, they will demand commitments on historic cuts in social programs in the 2012 budget as well as further tax cuts for corporations and the rich. The Treasury Department has warned that the current debt limit of \$14.3 trillion will be reached by May 16 and the US government will default on its debt by July 8 if Congress fails to raise the limit.

Republican House Speaker John Boehner in an op-ed piece Monday in *USA Today* wrote, "This week, we'll advance our fight from saving billions of dollars to saving trillions of dollars." He was alluding to a 2012 budget plan released last week by Republican House Budget Committee Chairman Paul Ryan that would effectively dismantle Medicare and Medicaid, cut \$6 trillion in overall spending over the next 10 years, and sharply reduce taxes on corporations and the wealthy.

David Plouffe, a senior White House adviser, signaled Sunday in an appearance on NBC's "Meet the Press" that the administration was dropping its previous insistence that a vote on raising the debt limit be free of any budget conditions. He indicated that the White House would be willing to discuss new austerity measures as part of a deal to get Republican support, saying that "in that process" of raising the debt ceiling "we should be able to reduce the

deficit.”

In a statement Tuesday, House Appropriations Committee Chairman Hal Rogers (Republican from Kentucky) said: “Never before has any Congress made dramatic cuts such as those that are in this final legislation. The near \$40 billion reduction in non-defense spending is nearly five times larger than any other cut in history, and is the result of this new Republican majority’s commitment to bring about real change in the way Washington spends the people’s money.”

Obama, for his part, has hailed the budget agreement as “the largest annual spending cut in our history” and described it as “beginning to live within our means.”

Under the spending bill, overall discretionary spending will be set at \$1.049 trillion—down from \$1.09 trillion in 2010, a 4 percent reduction. That is \$78.5 billion less than Obama’s initial budget request for 2011.

More than half of the \$38.5 billion in spending cuts will hit education, labor and health programs. About \$20 billion will come from domestic discretionary programs, while \$17.8 billion will be cut from mandatory programs. The money the latter lose this year could be put back in their budgets next year.

The deal includes a \$1 billion across-the-board cut shared among all non-defense agencies. The Labor and Health and Human Services departments, which represent about 28 percent of non-defense discretionary spending, face a combined \$19.8 billion, or 52 percent, of the total reductions in the plan.

Among its provisions are:

- A \$390 million cut in low-income heating assistance. This is on top of a \$2.5 billion, or 50 percent, cut in the Low Income Home Energy Assistance Program (LIHEAP), which helps the poor, elderly and handicapped pay their heating and cooling costs, announced by Obama last February as part of his fiscal 2012 budget plan.
- Saving \$3.5 billion by not paying out money set aside for bonuses to states that increase their enrollment CHIP health care program for poor children.
- Slashing \$504 million from the Women, Infants and Children (WIC) nutrition program.
- Cutting community health care centers by \$600 million and eliminating \$1 billion from HIV and other disease prevention funds.
- A cut of \$942 million in community development funds.
- Abolition of a new Pell grant program for college students attending summer school.
- A reduction of \$30 million from a job training program.
- \$350 cut from an environmental quality incentives program and \$30 million from a program the helps the National Park Service acquire land. A total cut of \$1.6 billion (16 percent) from the Environmental Protection

Agency budget.

- Cancellation of over \$3 billion in local transportation projects and the slashing of \$1.5 billion for high-speed rail projects. A \$650 million reduction in federal highway investment.
- Cutting \$2.2 billion slated to seed new nonprofit health insurance cooperatives—a reduction of 50 percent in the program’s budget.
- A \$786 million reduction in Federal Emergency Management Agency (FEMA) first-responder grants.
- A reduction of \$260 million in funding for the National Institutes of health.

In his speech today, Obama is expected to express support for the efforts of a bipartisan group of Senators—the so-called “Gang of Six”—to negotiate a long-term plan to slash spending by \$4 trillion over the next decade. The senators—three from each party—are using as their framework the plan advanced last year by the White House-appointed Bowles-Simpson deficit reduction panel. The panel called for sharp cuts in spending on Medicare, Medicaid and Social Security as well as tax cuts for corporations and the rich, but none of its proposals were incorporated into the budget proposed by the White House in February for the 2012 fiscal year.

The Bowles-Simpson plan, which Obama is now embracing, would impose devastating cuts in social programs upon which tens of millions of people depend, driving many of them into poverty and depriving them of decent health care. The biggest source of Medicare savings in the plan, for example, is making seniors pay a \$550 deductible for hospital and doctor services, plus 20 percent of all medical costs after that.



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