

September 30, 2011

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## Reducing the Budget Deficit & Keeping Families Out of Poverty

The Budget Control Act of 2011 outlined key provisions to reduce the nation's \$14 trillion deficit, calling for billions of dollars in cuts to defense and non-defense programs in FY 2011-2021. The Act established a Joint Select Committee on Deficit Reduction—the “Super Committee”—to identify an additional \$1.5 trillion in “savings.”

Super Committee members face a daunting task. They must develop a proposal by November 23rd, 2011 that reduces the deficit by at least \$1.2 trillion through revenue increases and/or cuts to public programs, and the proposal must pass by December 2011 without amendments. Otherwise, automatic cuts will be triggered to defense and non-defense programs totaling the full \$1.2 trillion or the difference between the amount Congress passes and \$1.2 trillion.

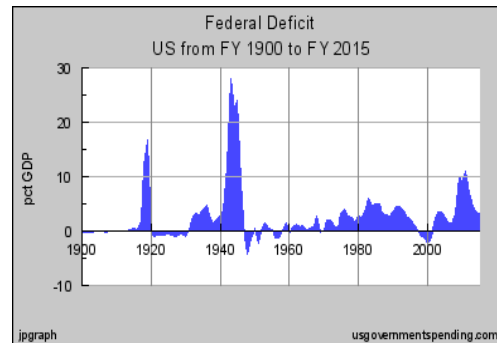
While Medicaid, Medicare, the Supplemental Nutritional Assistance Program, and certain other public programs escaped the initial round of cuts and the trigger mechanism, the Super Committee has the full authority to target these programs in the \$1.2 trillion proposal they present to Congress and the President. CHC has developed the four recommendations outlined below for deficit reduction discussions. If you would like to support these recommendations, sign on to the principles at [www.chc-inc.org/action-alerts](http://www.chc-inc.org/action-alerts).

### ***Solutions Must Address the Root Causes of the National Debt***

Prior to 2001, our government had a balanced budget and the country was expected to see a budget surplus from 2001-2010.<sup>1</sup> According to the Center on Budget and Policy Priorities, the country's detour into debt can

<sup>1</sup> Congressional Budget Office. *The Budget and Economic Outlook: Fiscal Years 2002-2011*. January 2001.

be attributed to two main factors: 1) the series of tax cuts for corporations and the wealthiest Americans that were enacted in 2001 and 2003; and 2) the wars in Iraq and Afghanistan.<sup>2</sup> These tax policies account for almost half of the nation's \$14 trillion deficit.



Congressional members should start deficit reduction negotiations by eliminating and rejecting policies that put our country on the path to financial insecurity. Proposals must eliminate unnecessary tax exemptions for corporations and the wealthiest individuals.

### ***Solutions Must Be Balanced, Include Revenue, and Eliminate Costly Tax Entitlements***

Congress and the President cut more than \$38 billion from critical programs and departments in April while sparing the wealthy and larger corporations. The Budget Control Act required an additional \$900 billion in cuts from defense and non-defense programs through discretionary spending caps in FY 2011-2021.<sup>3</sup> Lawmakers should focus on a more balanced approach by raising revenue and eliminating unnecessary and costly tax exemptions to reduce the deficit.

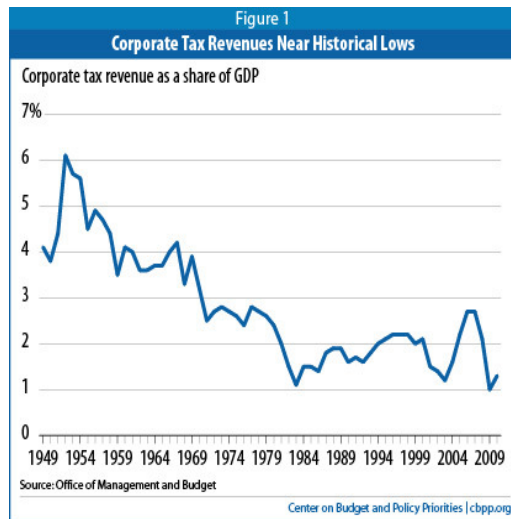
A recent report by the Institute for Policy Studies found that of the 100 highest-paid corporate executives in the US, 25 earned more in pay than their company paid in federal income taxes in 2010.<sup>4</sup> Among the 25 firms were Verizon, General Electric, Boeing and eBay. Every year, the US forgoes \$20 billion in revenues as a result of tax

<sup>2</sup> Center on Budget and Policy Priorities. *Economic Downturn and Bush Policies Continue to Drive Large Projected Deficits*. May 2011.

<sup>3</sup> Budget Control Act of 2011 [www.whitehouse.gov](http://www.whitehouse.gov).

<sup>4</sup> Institute for Policy Studies. *Executive Excess 2011: The Massive CEO Rewards for Tax Dodging*. August 2011.

and accounting loopholes.<sup>5</sup> The country cannot afford to continue to subsidize corporate tax giveaways that fail to produce jobs and safe communities.



Internal Revenue Service data indicate that in 1995 the richest 400 Americans paid almost 30% of their income in federal taxes. By 2007, that percentage dropped to just 17%.<sup>6</sup> In contrast, incomes for the wealthiest 1% of Americans rose by 281% between 1979 and 2007. Tax inequalities undermine the nation's economic viability and prevent an equitable distribution of resources to meet the basic needs of communities.

Several options provide substantial revenue:

- By allowing the current tax cuts for the richest 2% of Americans to expire as scheduled in 2013 while preserving tax credits for low- and middle-income families, the committee can pay down the debt by \$700 billion over the next 10 years.<sup>7</sup>
- Current tax loopholes allow multinational corporations to avoid paying taxes on foreign income and create an incentive for corporations to move jobs and operations out of the country. Eliminating this tax loophole would prevent our country from losing \$582.7 billion in 2012-2021.<sup>8</sup>

<sup>5</sup> Ibid.

<sup>6</sup> Citizens for Tax Justice. *400 Highest-Income Americans Paid an Effective Rate of 18.1% in 2008*. May 2011  
<http://www.ctj.org/pdf/irstop400may2011.pdf>.

<sup>7</sup> Patriotic Millionaires for Fiscal Strength.  
<http://patrioticmillionaires.org/>.

<sup>8</sup> Citizens for Tax Justice. *Policy Options to Raise Revenue by Eliminating or Reducing Tax Subsidies for Wealthy Individuals and Profitable Businesses*. September 2011.

- Eliminating the domestic production deduction available for fossil fuels like oil, gas, and coal would raise an estimated \$18.7 billion from 2012-2021.<sup>9</sup>

### ***Solutions Must Include Strategies to Lift Children and Families Out of Poverty***

Racial and economic inequities deny millions of Americans the same access to opportunity and economic stability. More than 16 million children (22% of children) in the US are living in poverty.<sup>10</sup> Federally-supported programs like Medicaid, Medicare, the Supplemental Nutrition Assistance Program (SNAP), the Low Income Rental Assistance program, and WIC help families meet their basic human needs and contribute to local economies. For example, Medicaid ensures access to medical care while minimizing medical debt at a time of unemployment or disability. Medical debt accounts for more than 60% of bankruptcies in the US pushing thousands into poverty each year.<sup>11</sup>

The Super Committee should ensure that proposed cuts to public programs are designed to reduce the cost and improve the quality of programs without reducing benefits and services for communities, children, seniors, disabled individuals, and ethnic communities.

Some policies that help families stay out of poverty include:

- *Supplemental Nutrition Assistance Program*: With 90% of recipients living under the federal poverty line, SNAP has helped millions of families and over 2.4 million children afford an adequate, healthy diet in times of need.<sup>12</sup>
- *Head Start*: Early childhood programs like Head Start and child care subsidies ensure that parents who work in low-wage jobs get the help they need to maintain employment to support their families and that their children receive the support they need to stay safe and succeed.
- *Low-Income Housing Supports*: Public housing programs prevent more than 1.1 million low-income children, families, elderly people, and people with disabilities from becoming homeless and help

<sup>9</sup> Congressional Research Service. *Reducing the Budget Deficit: Tax Policy Options*. August 2011.

<sup>10</sup> US Census Bureau. *Income, Poverty, and Health Insurance Coverage in the United States: 2010*. September 2011.

<sup>11</sup> Himmelstein et. al. *Medical Bankruptcy in the United States, 2007: Results of a National Study*. American Journal of Medicine. 2009.

<sup>12</sup> Center on Budget and Policy Priorities. *Policy Basics: Introduction to the Supplemental Nutrition Assistance Program (SNAP)*. March 2011.

alleviate high rent and housing costs for the most vulnerable.

### ***Solutions Should Create Job Growth and Prevent Further Job Loss***

The Office of Management and Budget announced this month that the current 9% national unemployment rate will likely hold steady through 2012.<sup>13</sup> Job loss across the nation is stifling economic activity and preventing our recovery. In considering deficit reduction proposals, the committee should preserve programs that foster job growth and fuel state and local economies. For example, the economic benefit of federally-supported programs such as Medicaid and Medicare extends beyond the individual and is a critical source of revenue for the healthcare and related industries that employ more than 14.3 million wage and salary workers in the US.<sup>14</sup> Between 2008-2018, the healthcare industry is expected to create an additional 3.2 million wage and salary jobs.

While all communities have been impacted by job loss, middle- and low-income families and ethnic communities have been disproportionately affected by under-employment, home foreclosure, and loss of access to healthcare. The Economic Policy Institute found that roughly 31% of all US workers experienced unemployment or underemployment at some point in 2009. African-American and Hispanic workers experienced higher rates at 36% and 41%, respectively. Similarly, whereas 14.3% of white children had an unemployed or underemployed parent in 2010, one in four African-American or Hispanic children had an underemployed parent.<sup>15</sup>

Super Committee members should advance solutions that put Americans back to work such as<sup>16</sup>

- Promoting public infrastructure projects that create jobs and rebuild communities
- Providing job training programs for unemployed and under-employed workers
- Maintaining unemployment compensation for families and individuals

<sup>13</sup> New York Times. *Zero Job Growth Latest Bleak Sign for US Economy*. 9/2/11.

<sup>14</sup> US Bureau of Labor Statistics. *Career Guide to Industries, 2010-11 Edition*. February 2010.

<sup>15</sup> Economic Policy Institute. *Sustained, high job loss causes lasting damages to wages, benefits, income and wealth*. August 2011.

<sup>16</sup> US White House. *Factsheet: The American Jobs Act*. September 2011. <http://www.whitehouse.gov/the-press-office/2011/09/08/fact-sheet-american-jobs-act>.

- Providing tax credits for small businesses that hire new employees, particularly unemployed workers.

For more information on these principles and how to become involved, contact Sonya Vasquez, CHC Policy Director or sign on to these principles through our website at [www.chc-inc.org/action-alerts](http://www.chc-inc.org/action-alerts)

## **Upcoming Events**

### **Community of Heroes Celebration.**

*Thursday, November 10<sup>th</sup>, 2011. 6-10pm.* Center at Cathedral Plaza, 555 West Temple, Los Angeles, CA 90011



Join us for an evening of dinner and music as we celebrate nearly twenty years advocating for underserved communities and thank five heroes of healthcare. The ***Community of Heroes Celebration*** honors these distinguished champions:

- Dr. Robert Tranquada, *Emeritus Professor of Medicine & Public Policy*, USC, a leader and architect for quality healthcare for the uninsured
- Dr. David Carlisle, *President*, Charles Drew University of Medicine & Science (formerly Director of OSHPD) for improving the quality of care across California through innovations in data collection and analysis
- Dr. Hector Flores, *Medical Director*, White Memorial Medical Center, for his visionary work in creating an integrated system of care for low-income and uninsured populations
- Sylvia Drew Ivie, *Founder*, South Los Angeles Community Kitchen, for her pioneering work in a full range of challenges from HIV/AIDS to healthy nutrition
- Ken Kutcher, *Principal*, Harding Larmore Kutcher & Kozal, for his courage and leadership in advancing environmental regulations to protect the health and safety of the community.

More information and ticket purchases are available through our website at [www.chc-inc.org/chc](http://www.chc-inc.org/chc).

**FOR MORE INFORMATION ... CONTACT  
COMMUNITY HEALTH COUNCILS,  
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