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**Subject:** Speaking Out! The many pieces of the federal budget puzzle

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## Voices for America's Children

Today, President Obama released his plan to pay for the investments included in the American Jobs Act and to reduce the deficit. There are several pieces to the federal budget puzzle this year, but as the year progresses, it is important to see many of them enacted.

The first piece of the puzzle is the **Budget Control Act**, which raised the nation's debt ceiling and set limits (caps) on discretionary spending for the next 10 years, enacted in July. This act also set up the so-called "super committee" and charged it with finding upward of another \$1.5 trillion in budget reduction. The super committee is now meeting and will issue its recommendations for an up-or-down vote (no amendments permitted; no filibusters allowed) by Thanksgiving.

Last week, President Obama released his **American Jobs Act**, which enhances the payroll tax breaks set to expire at the end of the year, extends unemployment benefits to the long-term unemployed; targets job assistance and other aid to youth and others; provides \$35 billion to states to prevent layoffs of teachers and first responders; and provides another \$30 billion to finance school modernization. By most measures, the American Jobs Act will create from 500,000 to two million jobs next year and provide needed aid to states and communities that are still struggling under the crush of job losses and lack of resources for basic services. The president pledged that the measure would be "fully paid for." This is the second piece of the budget puzzle.

The third piece of this puzzle was provided today when the president made good on his pledge by recommending a series of policy and revenue changes to pay for the stimulus and tax breaks in the American Jobs Act, but Mr. Obama went a step further and proposed over \$4 trillion in debt reduction. The president claims the \$1 trillion from the discretionary cap, proposes another \$580 billion in cuts to Medicare, Medicaid and other

programs; and proposes that the 2001 and 2003-era tax cuts be allowed to expire for higher income workers and a new millionaire tax rate be created so upper earners like Warren Buffett (as Mr. Buffett himself suggested) pay more taxes.

The fiscal 2012 federal appropriation is the fourth piece of the puzzle. The Budget Control Act (BCA) set a spending level that should, if implemented, make passing appropriations easier than in past years. However, some members of the House of Representatives who did not support the BCA are urging that spending for 2012 be brought down below the cap level. Should the House choose to cut beyond the BCA levels, expect opposition from the president and the U.S. Senate. Further cuts could fall on low-income family and child serving programs.

It is unclear which parts of the Obama job bill and debt reduction plan Congress will agree to. Most observers expect some kind of jobs-debt action this fall. The payroll tax changes urged by the president seem to enjoy some bipartisan support, but prospects for extension of unemployment benefits and the teacher and school modernization are less clear.

But by what measure should we judge these—and other—measures? Here are a few we suggest all policymakers and the public consider:

1. Is deficit reduction balanced and fair? Are budget cuts and revenues in relative equilibrium?
2. Are low-income children protected?
3. Would proposals to reduce Medicaid (and other programs) simply shift costs to struggling states and children and other beneficiaries?
4. Are targeted services and tax incentives (youth jobs, child tax credit, earned income credit, etc.) that help reduce the long-term poverty rates for so many strengthened?
5. Are food aid (SNAP, school, adult and child programs) and unemployment benefits—the last safety net for many families—extended commensurate with the needs for a continued safety net?

These are simple but fair measures. Ask your members of Congress and President Obama to protect children and their families as budget and tax measures are decided over the next few weeks. How Congress puts this puzzle together will determine in no small measure our nation's future for its children and families.

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