

Congresswoman Schakowsky's remarks
on the Impact of the U.S. Budget on Low-Income Families

Conference Call hosted by *Spotlight on Poverty and Opportunity*
and the Sargent Shriver National Center on Poverty Law

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- Thank you for inviting me to join you today.
- Congress is currently debating the most fundamental question we face as a nation: What are our responsibilities to each other? What is the role of government in our lives? What type of country do we want to leave to our children and future generations? What are our priorities?
- A few weeks ago, President Obama reflected on this question when he said:

“We’re a nation that built a railroad across a continent and brought light to communities shrouded in darkness. We sent a generation to college on the GI Bill and we saved millions of seniors from poverty with Social Security and Medicare. We have led the world in scientific research and technological breakthroughs that have transformed millions of lives. That’s who we are.... We don’t have to choose between a future of spiraling debt and one where we forfeit our investment in our people and our country.”
- I agree with him.
- As I said last year when I was appointed to serve on the President’s National Commission on Fiscal Responsibility and Reform, addressing our fiscal challenges is not mission impossible. There are many different ways to achieve the goal of fiscal balance. But we cannot achieve that goal without considering how real people will be affected by the choices we make.
- Are we going to ask those who are already struggling to give up more? Or are we going to ask those who have enjoyed the lion’s share of income growth over the past decades to contribute their fair share?
- These are the questions we have already faced in this year’s battles -- from preventing a government shutdown to the passage of Rep. Paul Ryan’s devastating Republican budget. They are the questions that we will face in the upcoming debates -- from raising the debt ceiling in order to prevent an economic catastrophe by defaulting on our debt obligations to consideration of a long-term deficit plan.
- Two weeks ago the Republicans passed a budget in the House that laid bare their priorities. There are no surprises here – Republicans want to cut taxes for corporations and the rich, protect subsidies for oil and gas companies. Not only doesn’t the Republican budget raise revenues – it actually includes more than \$1.8 trillion dollars in

tax cuts (as compared to the President's budget) – including cutting the top rate for individuals and corporations to 25 percent.

- Their budget would gut education programs and investments in job creation, and tear down Medicare and Medicaid, doing enormous harm to seniors, children, low-income families, and the disabled. According to an analysis done by the Center on Budget and Policy Priorities, two-thirds of the spending cuts come from programs that help low-income people, hurting those who need help the most.
- The average Social Security benefit for women 65 and older is \$12,000 a year -- \$2,000 less than men. The average out of pocket spending for older women on Medicare is \$4,500. 7 in 10 rely on Medicaid for help. The Affordable Care Act provides assistance to help older women pay for health and long-term care – but that help is repealed in the Republican budget.
- Instead, the Republican budget actually makes it even harder for older women – and men. It would eliminate Medicare and shift costs to seniors. The Republican voucher will leave seniors to pay 68% of the cost of coverage – instead of the 25% they pay today. Even then, seniors will have to wait longer – since the Republican budget raises Medicare eligibility age. And it will destroy Medicaid – the nation's primary source of long-term care. Half of all seniors have less than \$19,000 a year in income. How do we expect them to pay for nursing home costs – an average of \$72,000 a year – without Medicaid?
- The Republican budget does much more to harm seniors and their families. It would also reduce nutrition programs
- The Ryan Budget would cut SNAP Funding by \$127 Billion over the next 10 years, \$4.9B in my state of Illinois. This is a nearly 20% cut.
- The Ryan budget would turn SNAP into a block grant, and assumes major saving through discouraging states from enrolling eligible people and making receipt of benefits contingent on work or job training.
- If the cuts were to come solely from eliminating eligibility for categories of currently eligible households or individuals, *between 8-10 million people* would be cut from the program (depending on the initiation date for those cuts). This would mean more than 300,000 people in Illinois would lose SNAP benefits.
- If the cuts were to come solely from across-the-board benefit cuts, the maximum SNAP benefit would have to be set at 88 percent of the Thrifty Food Plan (TFP), USDA's estimate of the minimum amount a family needs to afford a bare-bones, nutritionally adequate diet. It is currently set at 100 percent. Under this scenario, qualifying families of four would see their benefits cut by \$147 a month in fiscal year 2012, or \$1,764 on an annual basis.
- [Both the Obama and Van Hollen (Democratic) budgets would restore the \$2.2 Billion in SNAP funding cuts made to pay for the Child Nutrition Reauthorization Act in December. Both budgets would maintain full-funding of SNAP benefits at 100 percent of the TFP for all eligible recipients.]

- Nationally, 79% of SNAP households contain either a child or an elderly or disabled person and these households receive 86% of SNAP benefits issued.
- The Republican budget is a war on seniors and the poor, it is also part of the ongoing war against the middle-class.
- As you all know – the middle class is disappearing. Over the last 30 years, there has been the most dramatic and deliberate transfer of wealth from the middle class to the rich, the very rich, and especially the very, very rich. Income inequality is now at levels that haven't been seen since 1928. Wages have stagnated for middle and lower income families despite enormous gains in productivity. Where has the money gone?
- The top one-hundredth of 1 percent now make an average of \$27 million per household per year. The average income for the bottom 90 percent of Americans? \$31,244.
- In the United States today, the richest 1 percent owns 34 percent of our nation's wealth – more than the entire bottom 90 percent, who own just 29 percent of the country's wealth.
- And at the very top, wealth is even more concentrated. In 2007, the combined net worth of the Forbes 400 wealthiest Americans was almost as much as the combined net worth of 150 million Americans – 50 percent of Americans.
- I believe that this extreme inequality in income and opportunity is the biggest crisis facing our nation. And I believe that the Republican budget policies would make it even worse.
- The cuts in domestic spending that Republicans proposed in H.R. 1 would have caused an additional 700,000 middle class Americans to lose their jobs. Their proposed cuts in education will prevent millions of Americans – young and old – from getting the skills they need to compete in today's global economy. And their cuts in nutrition and environmental protection and public health will leave millions with preventable health problems.
- There is another way. I offered a plan last year as an alternative to the Fiscal Commission's recommendations that focuses on creating jobs so that the 15 million Americans now unemployed can become taxpayers, on the wealthy and corporations paying their fair share, and on cutting waste not opportunity. Putting people back to work should actually be the first step in deficit reduction, as more workers will raise revenues and reduce the burden on safety net programs.
- And last month, I introduced the Fairness in Taxation Act, which would create new, higher tax brackets for millionaires and billionaires. It is time for those who have more to pay more.
- It's time for millionaires and billionaires to pay their fair share. This isn't about punishment or revenge – it's about fairness.
- Currently, the top tax bracket starts at \$373,000 – failing to distinguish between the well-off and billionaires.

- The Fairness in Taxation Act would enact new tax brackets beginning at 45 percent for income over a million dollars and rising to 49 percent for income at one billion dollars or more.
- Historically, these rates are relatively modest. During most of the Reagan Administration, the top income tax rate was 50 percent, and over the prior four decades, the top rate was as high as 70, 77, 91, and 94 percent!
- It would also address a fundamental inequity in our current law by taxing capital gains and dividends at ordinary income rates in those brackets. Right now, rich hedge fund managers like John Paulsen – who is reported to have made \$5 billion last year – are paying a lower rate than their secretaries on much of their income because it is taxed at the capital gains and dividends rates.
- According to Citizens for Tax Justice, the Fairness in Taxation Act will raise more than \$74.3 billion if enacted in 2011, allowing us to avoid the harsh cuts that will hurt the middle class. [Over 10 years (through 2020), CTJ estimates the bill would raise \$866 billion.]
- This is an idea that the public supports! In an NBC/Wall St. Journal poll conducted on March 2, “the most popular (way to reduce the deficit) [was] placing a surtax on federal income taxes for those who make more than \$1 million per year.” 81 percent of respondents supported that idea.
- In another NBC/Wall St. Journal poll, 76 percent of the public opposed making cuts to Medicare, while 67 percent opposed cuts to Medicaid.
- The Fairness in Taxation Act should be part of the discussions on fiscal policy, as it will allow us to stop the war on the middle class, restore fiscal integrity and fairness, and fund those initiatives that reflect our American values and goals.
- When politicians and pundits talk about addressing fiscal challenges, you hear the term “shared sacrifice” a lot – that everyone should expect to sacrifice so that we can get our fiscal house in order.
- What I think has been missing in this debate is that many, if not most, Americans have been sacrificing for years. The shrinking middle class, the stagnant wages, while health care costs, housing costs, and education costs rise. The economic collapse – fueled by Wall Street greed and the Bush Administration that turned a blind eye to it – cost millions of Americans their jobs, their homes, and their retirement savings.
- I hear from constituents who have been searching for jobs for almost two years – they’ve submitted hundreds of applications, heard from maybe one or two, but still don’t have work, and their unemployment benefits are about to run out.
- I hear from parents who are working, sometimes more than one job, but they still are trying to figure out how to feed their kids while not losing the home over their heads.
- I hear from disabled individuals and seniors who are also poor, and who benefit from both Medicare and Medicaid. These individuals have less than \$10,000 a year in income. And they are hearing from Washington that we might have to cut back on their benefits.

- I believe we have a responsibility to each other – not just our friends and neighbors but those who we do not know but who are in need of our help. I believe that we should leave our world better off. We can choose a budget path achieves those goals – or we can choose to help the super rich get richer at the expense of everyone else.
- I believe that the choice is clear.