

## Budgets and Priorities

### *Assessing President Obama's Budget Request*

Last week, the president submitted his FY14 budget request, laying out his priorities in financial terms. You've likely heard about the most controversial proposals to change Social Security and Medicare, but while presidents' budgets are rarely anything more than a statement of philosophy, these are important markers for the national budget discussion for the next year. Here are some highlights for the HCH community (for a more detailed synopsis click [here](#)):

- **Health centers:** Funded at \$3.8 billion for FY14 (\$1.6 billion in annual funding; \$2.2 billion from the ACA), a \$700 million increase over FY13. This increase could allow health centers to see an additional 5 million patients and comes entirely from an increase in funds allocated through the ACA. The ACA funds are already in law and do not require any change to annual funding or legislative action.
- **The sequester and other deficit reduction:** The \$1.2 trillion of automatic budget cuts known as the sequester are replaced by an alternative deficit reduction package based on previous negotiations between President Obama and Speaker Boehner. The package includes the following:
  - \$583 billion in increased revenue from upper income households
  - \$401 billion in changes to Medicare/Medicaid/Federal Health Benefits (see Medicare and Medicaid sections below)
  - \$230 billion in savings from the Chained CPI, a change in the way inflation is measured (\$130 billion in reduced Social Security benefits, \$100 billion in increased revenue, more information below)
  - \$202 billion in changes to mandatory programs (this does not affect health mandatory programs or low-income mandatory programs like SNAP; the changes are to various programs such as farm subsidies, government fees, fraud/abuse enforcement, etc.)
  - \$200 billion in reductions in discretionary spending starting in 2017 evenly divided between defense and non-defense spending
  - \$202 billion in savings from reduced interest payments
  - \$50 billion in spending on infrastructure projects
  - a total of \$1.8 trillion in savings
- **Medicaid:** Very few changes. Out of \$401 billion in health program savings, only \$19 billion comes from Medicaid, mostly through modifications to payments for durable medical equipment and pharmaceuticals. These changes should not affect beneficiaries or state decisions to expand Medicaid. The reductions in Disproportionate Share Hospital (DSH) payments included in the ACA were also delayed one year preventing a reduction in funding for low-income hospitals while state Medicaid expansion decisions are still underway.
- **Medicare:** Changed in numerous ways to save \$371 billion. These savings are achieved through changes to provider payments and increased premiums for higher-income beneficiaries. Most of these provisions should not be problematic for the HCH community, although some, such as reductions in Graduate Medical Education payments and Skilled Nursing Facility payments, could have an impact on our work.
- **Social security:** Benefits are reduced \$130 billion through the Chained CPI, reducing cost of living increases by approximately 0.25 percent annually. This change will not apply to SSI recipients and other protections for the very elderly and long-term disabled are included. If the protections are retained, this should not be especially problematic for the HCH community.
- **Minimum wage:** Raised to \$9.00/hour and indexed to inflation.
- **Mental health:** \$130 million was allocated for new programs, to include mental health screening and assessment in schools and \$50 million for training mental health professionals, \$10 million of which is targeted to peer specialists.
- **McKinney Vento Homelessness Assistance:** Received a \$350 million increase. This will significantly expand both Continuum of Care funding and the Emergency Solutions Grant which funds rapid rehousing programs.

- **Low-Income Housing:** Programs received significant increases but still face significant challenges. These increases are welcome but mostly make up for the underfunding housing programs received in FY12 and FY13. Low-income housing units are likely to be lost in spite of the increases included in the FY14 budget. Click [here](#) for more detail from our friends at the National Low Income Housing Coalition.
- **National Housing Trust Fund:** Capitalized with \$1 billion.

There is much to appreciate in the president's proposal but nothing changes the dynamic of homelessness and poverty we see today. The housing instability and wage stagnation that has characterized recent years will continue, creating homelessness faster than these targeted programs can address it. The National HCH Council commented on this in a [press release](#) sent out last week.

## Background on the Budget Process

It is important to note budget resolutions do not have the full force of law. They are still very important and can require various lawmakers to adhere to certain provisions. The budget process usually follows this timeline:

- The president submits his budget for the upcoming fiscal year (running from October 1 of that year through September 30 of the next) in February. This year President Obama's budget request was over two months late.
  - The president's budget is very detailed, with the requests from each federal agency and requested funding levels explicitly stated. It also includes new initiatives, changes to mandatory programs (entitlements), and changes in revenues.
- Both the House and Senate then pass their own budget resolutions, usually in April. They may use aspects of the president's budget or be completely unrelated.
  - Their budget resolutions are much less specific than the president's.
  - They still include numerous instructions that the chamber generally follows:
    - A limit on total discretionary spending. The Appropriations Committee then allocates this total spending to the different subcommittees.
    - Instructions to different committees on changes to entitlement programs and revenues. For instance, the House budget instructed the Ways and Means Committee, which handles taxes to develop legislation that would lower the top tax rate.
  - The House and Senate then attempt to reconcile their different budget resolutions.
- If both chambers agree to a budget resolution, then the instructions included in the budget resolution (the reconciliation instructions) are sent to the relevant committees. These instructions now have the force of law and are difficult to obstruct.
- If both chambers do not agree, then their respective budgets (as well as the president's) are mostly statements about their priorities and do not have the force of law.
- The appropriations process that allocates funding for health centers and other discretionary programs goes on every year with or without a budget resolution.

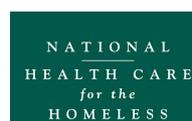
It has been many years since a budget resolution was adopted by both chambers (so-called "regular order"). This year, it is also unlikely. In the case that a budget resolution is not adopted by both chambers, the proposals in the president's budget, as well as the House and Senate's, will have to be adopted through separate legislation if they are to be enacted at all.

Please view [Introduction to the Federal Budget Process](#) by the Center on Budget and Policy Priorities for more detail.

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