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U.S. House of Representatives
Committee on Energy and Commerce
Washington, DC 20515–6115

JOE BARTON, TEXAS
CHAIRMAN

February 28, 2006

The Honorable Jim Nussle
Chairman
Committee on the Budget
309 Cannon House Office Building
Washington, D.C. 20515

The Honorable John M. Spratt, Jr.
Ranking Member
Committee on the Budget
B-71 Cannon House Office Building
Washington, D.C. 20515

Dear Chairman Nussle and Ranking Member Spratt:

As is the custom of the Committee on Energy and Commerce, the Majority and the Minority are transmitting separate Views and Estimates on the budget. These are the Views and Estimates from the Minority.

The President's budget for FY2007 continues the trend of this Administration's budgets of the past five years in which previous surpluses have been turned into deficits. At the same time, many critical domestic programs have been deeply cut. In particular, the budget makes very large cuts in our Nation's safety net. The common theme of this budget is its continued insistence upon further tax cuts for the wealthiest Americans while cutting programs critical to working families, seniors, and those most in need.

In the case of the healthcare budget, the President proposes to cut $36 billion over five years. The cost of these cuts over 10 years would be $105 billion. The President proposes further cuts in Medicaid of $17 billion over five years, and $42 billion over 10 years. These cuts are in addition to the previously enacted cuts of $28 billion over 10 years in the Medicaid program. At the same time, the budget calls for further tax breaks for Health Savings Accounts that will cost $59 billion over five years, and $156 billions over 10 years. These accounts will primarily benefit the well and the well-to-do, while adding costs to traditional health insurance programs.

The President has also proposed a mandatory spending reduction for Medicare triggered any time general revenues exceed 45 percent of the total costs of Medicare. There are no similar automatic reductions in any other Government initiative, including tax cuts that are expected to balloon in later years to well over three trillion dollars.

The President's budget also cuts many popular and vital public health programs. For example, under the President's plan the budget for the Centers for Disease Control and Prevention (CDC) would be reduced by at least $179 million. While the Nation's top three causes of death are chronic diseases – heart disease, cancer, and stroke – the President proposes cuts in CDC's chronic disease prevention and health promotion programs of $34 million and elimination of almost $100 million in preventive health and health services grants. Other cuts include proposed reductions of $67 million in substance abuse and treatment programs.

In energy, the President has warned the Nation of its need to reduce its dependency upon oil, and has encouraged the diversification of its fuel supply. But the President's budget fails to fulfill his rhetoric. For example, spending on renewable energy will rise just .02 percent over the FY2006 appropriated level. The President has proposed just $5 million for the Clean Coal Power initiative. That is a $44.5 million cut from current levels, and just 2.5 percent of the $200 million authorized for the program under the recently signed Energy Policy Act of 2005 (EPACT). At the same time, the President is proposing $250 million to begin a program of nuclear fuel reprocessing. While initial outlays may be small, the program could cost as much as $40 billion over several decades.

With the price of oil at record highs, the President has requested $2.8 billion for the Low-Income Home Energy Assistance Program (LIHEAP) FY2007, which is $2.3 billion less than the amount authorized in EPACT. The budget assumes that $1 billion in FY2007 funds enacted in the reconciliation law will count toward that $2.8 billion, but pending legislation in the Senate could shift those funds to FY2006, making the request $3.3 billion less than EPACT authorized.

Similarly, in the environment, the budget reflects the impact of domestic spending caps in order to provide for large tax cuts. In one such example, the President has requested just $89.1 million for Brownfields cleanups and assessment grants. The request reflects a 26 percent reduction from last year's request, and just 56 percent of the amount authorized in the Small Business Liability Relief and Brownfields Revitalization Act. At the time of its signing, the President described the bill as "a good jobs creation bill." Similarly, the President proposes to cut grants to States and local air quality management by 15 percent of the amount enacted last year.

What follows describes selected areas of particular concern, and a more detailed analysis prepared by the Committee's minority staff is attached, along with some recent letters to the Environmental Protection Agency (EPA) concerning its budget request.

HEALTH

Medicaid and Children's Health Insurance Program

The Medicaid program provides health insurance coverage for more than 52 million Americans. Even after the Deficit Reduction Act was enacted (leaving aside the important question of whether that enactment was constitutional) earlier this year by the House and Senate, cutting $28 billion over 10 years from Medicaid, the Administration again is proposing significant cuts to this program. The President's FY2007 budget proposes legislative measures that cut Medicaid by $4.9 billion over five years. The President's budget, however, also proposes a number of regulatory changes in Medicaid that cut another $12.3 billion from Federal Medicaid payments over five years that result in a total savings of $17.2 over five years. The budget proposes $3.2 billion in spending initiatives for a net legislative and regulatory loss of $13.6 billion over five years. Over 10 years the President's budget proposes $11.9 billion in legislative cuts and $30.4 billion in regulatory cuts, for a total of $42.3 billion in cuts over 10 years. Judging from CBO's analysis of the cuts already enacted, tens of thousands of beneficiaries would lose needed services.

Medicare

The Medicare program provides health insurance coverage to nearly 44 million seniors and individuals with disabilities. The President's FY2007 budget includes substantial cuts to Medicare providers such as doctors and hospitals while protecting private plan overpayments to HMOs and PPOs. The budget ignores problems with the new Medicare Part D benefit that went into effect on January 1, 2006, and offers no remedies to make it work. The budget proposes legislative changes that would cut $36 billion from the Medicare program over five years, as well as a number of regulatory changes that would make additional cuts of $8 billion over five years to payment rates for a five-year total of $44 billion in cuts to Medicare. Over 10 years the President's proposed legislative proposals would yield $105 billion out of Medicare and the regulatory proposals would yield an additional $19 billion from Medicare providers. Hospitals bear the brunt of the cuts to providers in the FY2007 budget.

The President's FY2007 budget includes a program cap that would automatically cut Medicare payment rates by four-tenths of one percent in the first year in which general revenues are projected to exceed an arbitrarily set cap of 45 percent of program spending. The reduction would grow by four-tenths of one percent every year that the 45 percent threshold is exceeded. This would mean payment cuts to all providers in Medicare Parts A, B, C, and D. According to the Centers for Medicare and Medicaid Services actuaries, if this provision were enacted, it could take effect as soon as 2012, one year outside of the five-year budget window. Thus, the effects are not apparent in the President's budget. And, if all of the Medicare changes proposed in the President's budget were enacted, the automatic reduction would not be triggered until 2017. This is proposed at a time when 77 million baby boomers are expected to enter the program.

<u>Health Tax Proposals and Market Initiatives</u>

At the same time that the President proposes these cuts to Medicare and Medicaid – health insurance programs that provide medically-necessary coverage for approximately 100 million Americans, or one out of every three people – he also proposes $156 billion in spending on tax incentives to purchase catastrophic insurance. This proposal disproportionately benefits the affluent and healthy, and provides little help for those who are of modest income.

The President's health tax proposals would significantly increase the deficit and, along with the Association Health Plans and Health Market Place initiatives, would erode existing employer-sponsored coverage. In addition, all three of these proposals discriminate against those who are living with illnesses or who are older who would have a harder time getting coverage in the individual insurance market.

<u>Public Health and Food and Drug Administration</u>

The President's budget cuts many critical public health programs. For example, under the President's plan the budget for the Centers for Disease Control and Prevention would be reduced by at least $179 million. While the Nation's top three causes of death are chronic diseases – heart disease, cancer, and stroke – the President proposes cuts in CDC's chronic disease prevention and health promotion programs of $34 million and elimination of almost $100 million in preventive health and health services grants. Other cuts include proposed reductions of $67 million in substance abuse and treatment programs. Also slated for elimination or dramatic cuts are programs dealing with poison control, emergency medical services for children, traumatic brain injury, newborn hearing screening, rural health, graduate medical education in children's hospitals, and scholarships for disadvantaged students.

Many other programs of proven worth would get little or no increase in this budget. These include nurse training, health professions training, the Healthy Start program, telehealth, and others. Significantly, bioterrorism preparedness grants are flat funded, even though recent independent reviews of this Nation's preparedness have shown there is much more to be done before we are ready to respond adequately to public health emergencies, whether they are caused by man or nature. The National Institutes of Health (NIH) is flat funded, which means that, due to inflation, fewer programs will be supported this year. With proposed increases in infectious disease research, many other institutes and centers will be asked to endure significant cuts.

The proposed budget for the Food and Drug Administration (FDA) contains some modest program increases, but concerns remain over the adequacy of that agency's resources in view of its vast responsibilities to assure the safety of foods, drugs, dietary supplements, and medical devices. The budget also proposes to shift resources within FDA, notably reducing the number of full-time employees in the Office of Generic Drugs. In view of reports that consumer access to generic drugs is being delayed due to a slowdown in processing applications, any reduction in this function is worrisome.

ENERGY

In his State of the Union address on January 31, President Bush announced the Advanced Energy Initiative which was billed as a 22 percent increase in clean-energy research at the Department of Energy and part of an overall Administration goal to replace "more than 75 percent of our oil imports from the Middle East by 2025." The President focused on increased spending in solar energy, wind energy, and biomass and/or cellulosic ethanol production.

The budget request does not support the rhetoric. Funding levels proposed for renewable energy amount to little more than an increase of .02 percent. Many of these programs are proposed to be funding at amounts far below the levels authorized by the recently enacted Energy Policy Act of 2005. For example, overall proposed spending for renewable energy comes in at nearly $300 million less than the amount authorized in EPACT.

Clean coal technology was also mentioned by the President as an important part of a diverse energy portfolio. The President has proposed just $5 million for the Clean Coal Power initiative. That is a $44.5 million cut from current levels, and just 2.5 percent of the $200 million authorized for the program under the recently signed Energy Policy Act of 2005.

DOE's Weatherization program is an important tool for increasing conservation by assisting low-income households in increasing the efficiency of their homes. The Administration's budget request for FY2007 is $164 million. This request is $78 million below the amount appropriated for FY2006. Additionally the request is a full $436 million below the level authorized by the recently-enacted Energy Policy Act of 2005. If enacted, this cut could result in approximately 30,000 fewer homes receiving weatherization assistance.

The EnergyStar program is a joint initiative of the Department of Energy and the Environmental Protection Agency designed to promote the use of energy-efficient products and appliances. The FY2007 budget request for the DOE portion of the program is $5.8 million, or 3 percent below the FY2006 appropriations.

The Administration requested $250 million in funding for a "Global Nuclear Energy Partnership" that would put the U.S. Government in the nuclear fuel reprocessing business, both for U.S. utility spent fuel and other countries' fuel. The purposes ascribed to this initiative are (1) to facilitate a new generation of nuclear power plants in the U.S., (2) to reduce the volume of waste going to a potential repository at Yucca Mountain, Nevada, and (3) to prevent the proliferation of nuclear weapons materials in other countries.

Secretary of Energy Samuel Bodman testified that this program could cost as much as $40 billion over a period of several decades. The proposal raises several concerns. First, the projected costs are staggering, and the Department of Energy's track record in managing such large scale projects is less than reassuring. Second, GNEP is likely to divert managerial attention from the Department's Yucca Mountain program, which is years behind schedule and currently undergoing fundamental internal review. Third, there appears to be some risk that future budget requests might attempt to tap the Nuclear Waste Fund for GNEP, which would divert ratepayer assessments for a program only tangentially related to the Fund's original purposes. Fourth, the question of whether or not the U.S. should undertake reprocessing is a highly controversial and complex matter warranting closer scrutiny than a one-year budget request affords.

ENVIRONMENT

Brownfields

The President's FY2007 budget request of $89.1 million for Brownfields cleanup and assessment grants is $31.4 million, or 26.2 percent, less than his budget request for FY2006. When the Small Business Liability Relief and Brownfields Revitalization Act was signed by the President in 2002, he talked about "requesting that Congress double EPA's Brownfields funding" and described the bill as "a good jobs creation bill." The law provides an authorization of $200 million per year. But the budget request, with the inclusion of administrative funds, reflects just 56 percent of the amount authorized by law.

The President's FY2007 budget request would cut grants for State and local air quality management by $35 million, or 15 percent of the amount enacted last year. In contrast, the FY2007 budget request for the other Categorical State and Tribal Assistance Grants has gone up, on average, from last year's enacted levels. The grants that are cut by 15 percent in the President's budget request are a significant source of funding for core State and local air programs. They provide funding that is used to pay State and local employee salaries and other expenses necessary to develop and run State and local air programs, including air permit programs. It is not wise to undermine the States' ability to implement important programs that help improve our Nation's health.

Leaking Underground Storage Tank (LUST) Program

The Energy Policy Act of 2005, dramatically increased the authorization for the Environmental Protection Agency Leaking Underground Storage Tank (LUST) program to $605 million annually. This was necessary to support increased cleanups of leaking underground storage tanks and provide funding to States to carry out new inspection, operator training, delivery prohibition, and secondary containment/financial responsibility requirements.

Much of the debate in Congress on this subject over the past few years centered on the escalating costs to cleaning up contamination of drinking water supplies from methyl tertiary butyl ether (MTBE) with the most widely cited estimate being $29 billion. According to the Environmental Protection Agency 2006 Annual Performance Plan and Congressional Justification, MTBE contamination can increase cleanup costs from 25 percent to more than 100 percent. This debate led Congress to authorize $400 million per year from the LUST Trust Fund to fund petroleum and MTBE cleanups to minimize the continuing impacts on drinking water supplies and the environment.

The Energy Policy Act of 2005 also extended until 2011 the 0.1 cent per gallon tax on motor fuels that all motorists in America pay. According to the budget documents, revenues from this tax were $189 million in FY2005 and are estimated to climb to $194 million in FY2006 and $196 million in FY2007.

The tax revenues are dedicated to the LUST Trust Fund, which will increase from $2.349 billion in FY2005 to an estimated $2.764 billion in FY2007. However, with over $2.7 billion in a dedicated LUST Trust Fund and over $190 million in revenues for FY2007, the President is only requesting $72.8 million - a slight reduction from his FY2006 budget request and less than the enacted level from FY2006.

The President's budget acknowledges that there is a national backlog of over 119,000 confirmed releases in need of cleanup. In addition, the budget documents indicate that new confirmed releases averaged 10,844 annually between FY1999 and FY2005. We also note that completed cleanups nationwide will fall dramatically from 18,518 in FY2003 to the target of 13,000 set forth in the President's FY2007 budget request.

As these brief sections on Health, Energy, and the Environment demonstrate, the American people are being asked to pay a very high price for further tax cuts for the wealthiest Americans.

Sincerely,

JOHN D. DINGELL
RANKING MEMBER

Attachments

cc: The Honorable Joe Barton, Chairman
Committee on Energy and Commerce