



HOUSE BUDGET COMMITTEE

Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Member

B-71 Cannon HOB ■ Washington, DC 20515 ■ 202-226-7200

June 18, 2004

Entitlement Caps Risk Critical Mandatory Spending Programs

Dear Democratic Colleague:

Of the many badly flawed amendments expected to be offered to budget enforcement legislation, I am writing to alert you to one of particular concern: an amendment to impose a hard cap on entitlements. The entitlement cap would limit mandatory spending in all areas of the government, through either automatic cuts or legislative action (possibly reconciliation). Other than Social Security, every single entitlement program including Medicare, Medicaid, veterans' compensation and pensions, military retirement programs, food stamps, and federal loan and guarantee programs including student loans and crop insurance would be at risk.

Entitlement caps would require automatic program cuts (called sequestration) when the cap level is exceeded, regardless of whether the program's costs were rising or impacting the deficit. Programs could face cuts due to uncontrollable and unpredictable events, such as harvest yields in other countries or weather conditions.

In addition to automatic program cuts when these pre-set levels were breached, entitlement caps would also threaten programs through the regular budget reconciliation process. To avoid automatic reductions, Congress would likely direct authorizing committees to hold down entitlement spending in a reconciliation measure. Such measures have special protection from filibuster in the Senate, and could include cuts to programs exempt from sequestration in the entitlement cap proposal. In other words, although Social Security would be exempt from cuts under the measure, virtually every other entitlement program could be cut to head off later automatic sequestration.

I urge you to oppose the entitlement cap proposal. Although deficit reduction is a critical goal, automatic cuts to mandatory spending programs and haphazard trimming of vital safety net programs would cause far more harm than good. My staff and I remain available to answer any questions you may have or to provide further information.

Sincerely,

/s

John M. Spratt, Jr.
Ranking Member