

May 1, 2006

Honorable James L. Oberstar
U.S. House of Representatives
Washington, D.C. 20515

Dear Representative Oberstar:

We are writing to express our deep concern about the House budget resolution for fiscal year 2007 as reported by the House Budget Committee.

Regrettably, this resolution provides for

- \$167 billion in cuts to domestic discretionary programs over the next five years, compared to 2006 levels adjusted for inflation;
- \$6.8 billion in reconciliation cuts to entitlements over five years;
- \$228 billion in tax cuts, much of which will go to the wealthiest families in the nation, and;
- A budget deficit that will be at least \$254 billion higher at the end of five years than if this budget were not passed.

In our view, this budget resolution is fundamentally unfair in demanding more sacrifices from low- and moderate-income families, children, seniors, and people with disabilities while at the same time providing another generous round of tax cuts to upper-income Americans. The House budget resolution is also fiscally unsound because it will deprive the federal government of needed revenues to address our priorities well into the future and will ultimately increase the size of the deficit.

Deep Cuts to Domestic Discretionary Spending

The House budget resolution cuts total domestic discretionary spending by nearly as much as the President's budget. While we do not yet know which specific cuts would be implemented under the House budget, the impact would be felt across Minnesota in areas like education, vocational and adult education, nutrition, environmental protection, affordable housing, community and economic development, and many more crucial services.

Deep Cuts to Entitlements

The House budget goes well beyond the President's proposed budget and the Senate budget resolution in proposing \$6.8 billion in reconciliation cuts to entitlements. Proposed entitlement cuts threaten harmful policy changes to a number of vital supports that improve the lives of hundreds of thousands of Minnesotans, including Supplemental Security Income (SSI) for persons with disabilities, child care, child support enforcement, and the Earned Income Tax Credit (EITC) for low-income working families. Cuts to SSI would make it more difficult for

People with disabilities to make ends meet. Cuts to child support enforcement would create new financial hardships for single parents and their children. Cuts to the EITC would be a blow to low-income families working towards self-sufficiency. Such entitlement cuts would be both unwise and unfair to struggling Minnesotans.

We are also concerned about the House budget resolution's impact on health care coverage in Minnesota. The House plan fails to plug a 2007 shortfall in the State Children's Health Insurance Program (SCHIP) and also does not extend the portion of Medicaid, known as "Transitional Medical Assistance," that continues health care coverage for up to a year when a low-income working family works its way off welfare. Minnesota is one of 18 states that will experience a shortfall in SCHIP funding next year. It is critical that this funding shortfall be addressed to enable Minnesota to continue to provide health care to all those currently covered. Both the SCHIP provision and Transitional Medical Assistance were included in the President's proposed budget and in the Senate budget resolution.

More Tax Cuts

The House budget resolution assumes tax cuts totaling \$228 billion over five years. However, the resolution significantly understates the cost of its tax cuts. In particular, the House budget resolution assumes only a one-year extension of the Alternative Minimum Tax (AMT) even though the current AMT "fix" will undoubtedly be extended. When the ongoing cost of the AMT fix is included, the true cost of the tax cuts in the House budget plan rises to \$605 billion over five years.

Increasing Deficits over the Next Five Years

The savings from the cuts to domestic discretionary spending and entitlements are not used to reduce the deficit, but instead offset a portion of the cost of the tax cuts as well as increased defense spending. The net result will be significant further increases in the deficit over the next five years. One of the key purposes for having a budget resolution is to produce a balanced budget and to make progress on deficit reduction. However, the House budget resolution would actually *increase* the deficits over the next five years by at least \$254 billion above what they would be if there were no changes to current policy. Ironically, our future deficits would actually be lower if the House were to reject this budget resolution and pass no budget at all.

The House budget resolution is fatally flawed and is inconsistent with Minnesota values. Because there will be no meaningful opportunity for House members to offer amendments to improve the budget resolution, we urge you to vote "NO" when it comes to the floor for a vote.

If we can provide you or your staff with additional information, please contact Steve Francisco at 651-642-1904 ext. 232 or email at steve@mncn.org

Sincerely,

Steve Francisco
Federal Policy Director

On behalf of the Minnesota Council of Nonprofits and the following organizations:

African American Family Services, Minneapolis
Alexandra House, Inc., Blaine
Amherst H. Wilder Foundation, St. Paul
Archdiocese of St. Paul and Minneapolis, St. Paul
Battered Women's Legal Advocacy Project, Inc.,
Minneapolis
Channel One Inc., Food Bank & Food Shelf,
Rochester
Child Care WORKS, Minneapolis
Children's Defense Fund Minnesota, St. Paul
Churches United in Ministry (CHUM), Duluth
Community Action Duluth, Duluth
Cornerstone Advocacy Service, Bloomington
Dakota Woodlands, Eagan
Domestic Abuse Project, Minneapolis
Duluth Adult Learning Center, Duluth
ElderCircle, Grand Rapids
Elim Transitional Housing, Inc., Columbia Heights
Employment Action Center, Minneapolis
Employment Action Center, St. Louis Park
Family & Children's Service, Minneapolis
Fargo-Moorhead Dorothy Day House of Hospitality,
Moorhead
Franciscan Sisters of Little Falls, MN Leadership
Team, Little Falls
Glesener's, Inc., Bird Island
Guild Incorporated, West St. Paul
Hands On Twin Cities, Minneapolis
Hastings Family Service, Hastings
Hearthstone of Minnesota, South St. Paul
HIRED, Minneapolis
Home & Community Options, Inc., Winona
Housing Access Center, Duluth
Intercongregation Communities Association,
Minnetonka
Jewish Community Action, St. Paul
JOBS NOW Coalition, St. Paul
Leo A. Hoffmann Center, Inc., St. Peter
Lifetrack Resources, St. Paul
Local Initiatives Support Corporation - Duluth,
Duluth
Minneapolis Highrise Representative Council,
Minneapolis
Minnesota AFL-CIO, St. Paul
Minnesota Citizens for Tax Justice, St. Paul
Minnesota Coalition for the Homeless, Minneapolis
Minnesota Commission Serving Deaf and Hard of
Hearing People, St. Paul
Minnesota Community Action Association (MCAA),
St. Cloud
Minnesota FoodShare, Minneapolis
Minnesota NOW, St. Paul
Minnesota Organization on Adolescent Pregnancy,
Prevention and Parenting (MOAPPP), St. Paul
Minnesota Social Service Association, St. Paul
Minnesota Valley Action Council, Mankato
Minnesota Valley Action Council, New Ulm
National Alliance on Mental Illness of Minnesota, St.
Paul
National Association of Social Workers MN Chapter,
St. Paul
National Council of Jewish Women, State Public
Affairs, Minnetonka
Northwest Youth & Family Services, Shoreview
OMEGON, Inc., Minnetonka
Options Interstate Resource Center for Independent
Living, East Grand Forks
PACER Center, Minneapolis
Pax Christi St. Cloud, St. Joseph
Pro Kinship for Kids, New Ulm
Project for Pride in Living, Minneapolis
Ramsey County Citizens Advisory Council, St. Paul
Residents for Affordable Housing, Minneapolis
RESOURCE, Inc., Minneapolis
Restart Inc., Minneapolis
Rivers of Hope, Monticello
Roseville Seniors at Home: A Living at Home/Block
Nurse Program, Roseville
Sexual Assault Services for Aitkin County, Aitkin
St. Paul Public Housing Agency, St. Paul
The Arc of Minnesota, St. Paul
The Jabbok Foundation, Minneapolis
The Owatonna Healthy Seniors Program, Owatonna
Twin Ports Area Nonprofit Coalition, Duluth
Uda, Inc., Duluth
United Cerebral Palsy of Minnesota, St. Paul
Valley-Dale Group Home, Inc., Woodbury
Way to Grow, Minneapolis
West Central Industries, Inc., Willmar
Winona County Developmental Achievement Center
(DAC), Winona
Woodland Hills, Duluth