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Republicans Propose Big Changes in Aid for the Poor

By Suzanne Perry

House Republicans today said the country must revamp the way it helps low-income people, unveiling [a budget plan](#) that would cut government spending on social safety-net programs over the next decade and require people who receive some federal aid to work or get job training.

The plan—presented by Rep. Paul Ryan of Wisconsin, chairman of the House Budget Committee, at a news conference—singles out Medicaid, food stamps, and rental assistance, saying the costs were growing “at an unsustainable rate” and were failing the people they were supposed to help.

“Many of these programs do not provide beneficiaries with the tools they need to bounce back into self-sufficient working lives as quickly as possible,” says the document, “The Path to Prosperity.”

The Republicans, who control the House, presented their proposals while Congress is still trying to reach a deal that would avert a government shutdown over this year’s budget. The plan lays out their spending priorities over the next 10 years, proposing to cut \$6.2-trillion from the budget proposed by President Obama for that period. It includes no specific spending proposals for 2012 but lays the groundwork for future discussions.

If adopted, the plan could have a big impact on charities that help low-income people, including those that offer job training or [count on Medicaid](#) to help cover their health services.

The White House immediately condemned the Republican blueprint, saying it would cut taxes for millionaires while increasing the burdens on people who need help, such as those living in nursing homes or families of children who have disabilities.

“Any plan to reduce the deficit must reflect the American values of fairness and shared sacrifice,” said a statement issued by Jay Carney, the press secretary.

Closing Budget Deficit

Representative Ryan and other members of the budget committee said government spending needs to be curtailed to close the budget deficit, get the country out of debt, and ensure that future

generations do not inherit a fiscal mess.

The Republican plan would change the way that the federal government pays for Medicaid and food stamps by offering block grants to states according to a formula based on population and other factors instead of paying a fixed percentage of the state's costs. Republicans argue that the current system creates an incentive for states to add people to their rolls since it increases the amount of federal aid they receive and that federal rules tie states' hands.

Converting to block grants would save the government \$750-billion in Medicaid costs over 10 years, according to the plan, with additional savings from a plan to kill last year's health-care law, which expands Medicaid coverage.

The Republicans' Medicaid proposal would mean "draconian" cuts in the number of people served and the rates that are paid to nonprofits and other health providers, says Edwin Park, vice president for health policy at the Center for Budget and Policy Priorities, a liberal economic think tank in Washington.

"With cuts of this magnitude there's no [other] way for states to compensate for the loss of federal funding," he says.

The new system would require states, already facing big budget shortfalls, to bear all the costs if they wanted to provide more assistance to people— during a recession, for example—and they had already spent their block grants.

But Michael Tanner, a senior fellow at the Cato Institute, a free-market think tank, says the Republican proposal would give states more flexibility to devise the kind of program that work best for them, without the strings that are now attached to federal aid.

"We can't pay for everything," he says. "The question is should Washington decide on a one-size-fits-all basis, or should states have some flexibility in providing the best alternative?"

Job Requirements

The Republicans also want to apply to some safety-net programs the approach that was used to overhaul federal welfare programs in the 1990s: That is, they would require recipients to have jobs, seek work, or enroll in job-training programs.

"These reforms cut welfare caseloads in half against a backdrop of falling poverty rates," the plan says.

The requirement to work should apply to people receiving rental assistance or who get help from the Supplemental Nutrition Assistance Program (food stamps), the document says, adding that the number of people receiving food stamps has grown from 17.3 million recipients in 2001 to 44.3 million today, only partly because

of the bad economy.

The plan also proposes to consolidate dozens of federal job-training programs, many of which are operated by nonprofit groups, and make them more accountable. The government would track the type of training provided, the cost per student, employment after training, and whether people are working in the field for which they were trained.

“These common-sense measures will enable policy makers to determine whether the private and nonprofit institutions that train beneficiaries of these programs are training them effectively,” the document says.

Lowering Tax Rates

The Republican plan would also lower taxes and simplify the tax code. It would reduce the top income-tax bracket from 35 percent to 25 percent and eliminate or limit tax deductions and other tax breaks, which it says “have distorted economic activity and necessitated high tax rates that hurt growth.”


However, it gives no hint about whether that would include any changes to the charitable deduction. By contrast, President Obama proposed increasing the top tax rate to 39.6 percent and limiting the value of the charitable deduction for wealthy taxpayers to 28 percent of the dollars donated as a way to raise revenue.

Meanwhile, the House and Democratic-led Senate are still sparring over legislation to cover federal spending until the end of September. The government could be forced to shut down if they don’t strike a deal by Friday.

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