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Republican House and Senate Budgets Would Harm Children and the Nation

The Republican-led House and Senate recently passed their respective FY16 budget resolutions with only Republicans votes. Both would cut spending on crucial programs for poor and low-income children to unprecedented levels while increasing defense spending and giving tax cuts to the wealthiest Americans, reflecting completely upside-down priorities. At a time when our children lag further and further behind compared to peers in other high-income countries, these budgets would continue to slash funding for programs already at historically low levels.

Although the U.S. has a GDP of $17.7 trillion, its child poverty rate is the second-highest of 35 industrialized nations. Only Romania has a higher rate and their economy is 99 percent smaller than ours. As CDF showed in its recent *Ending Child Poverty Now* report, for $77 billion a year, only 2 percent of our national budget, we could reduce child poverty by 60 percent, paving the way to a more prosperous, equal and moral society. We could pay for this by cutting wasteful defense spending – the U.S. spends more than the next eight highest spending countries combined – or by eliminating tax loopholes that let wealthy individuals and corporations shirk their fiscal responsibilities.

The Republican House and Senate budgets take the opposite approach, choosing to increase child poverty, hunger and malnutrition and decrease access to health care and educational opportunities for low- and middle-income children. **These budgets will move children and the country backward and must be soundly rejected.**

The Republican budgets focus cuts on programs that help the most vulnerable despite the fact that these programs account for less than one-quarter of federal program costs.

Both the House and Senate budgets cut non-defense spending, the category that funds programs serving poor and low-income children, by close to $5 trillion over the next 10 years: $5.3 trillion in the House plan and $4.7 trillion in the Senate plan.[1] Sixty-nine percent of these cuts -- $3.7 trillion in the House budget and $3.2 trillion in the Senate budget -- come from programs that support low- and middle-income Americans, including millions of vulnerable children (see figure on next page), despite the fact that these programs account for less than one-quarter of federal program costs. By 2025, funding for these programs would be slashed by 43 percent under the House plan, and 37 percent under the Senate plan, devastating our ability to meet the needs of poor and low-income children.

These $3.2-$3.7 trillion in cuts to programs serving low- and middle-income people include:

- $2.5-$2.9 trillion less for entitlement[a] health care programs, including Medicaid, CHIP and the ACA. By 2025, funding for these programs would be 58 percent lower under the House budget and 47 percent lower under the Senate budget.

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[a] See Glossary at the end of this document for explanations of technical terms.

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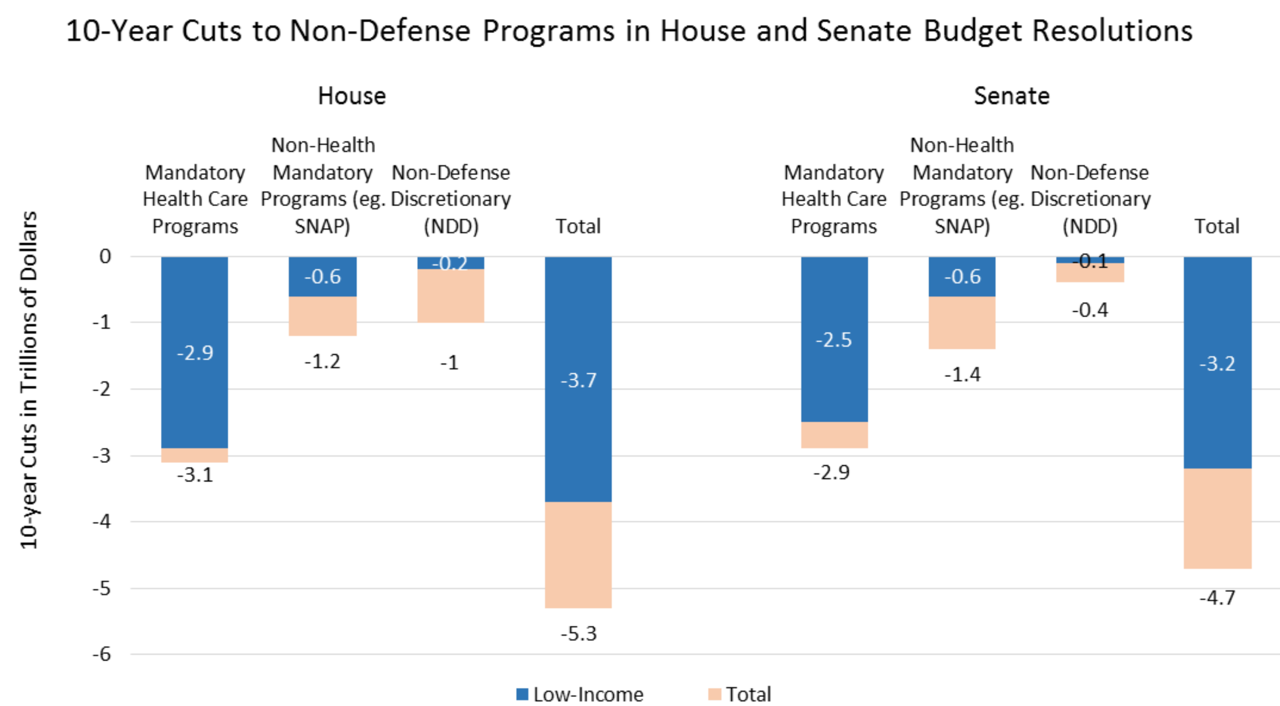
- $600 billion less for non-health entitlement programs serving vulnerable children and families, including SNAP, resulting in cuts of 23-24 percent by 2025.
- $100-$200 billion less for non-defense discretionary programs serving low- and moderate-income people, such as Head Start, child care subsidies, Title I educational services and housing assistance. Funding for these programs would be 18-17 percent lower by 2015.



Source: Kogan, R. and I. Shapiro. March 23, 2015. “Congressional Budget Plans Get Two-Thirds of Cuts from Programs for People With Low or Moderate Incomes.” Center for Budget and Policy Priorities.

Even counting proposed increases in defense spending, the House and Senate budgets would cut federal spending outside of Social Security, Medicare and debt interest payments to 7.2 percent of GDP in 2025, 40 percent below the average of 12.2 percent over the past 40 years and the lowest percent of GDP since the end of WWII.[2] In other words, these budgets propose a radically different vision for what the federal government should do for the nation’s most vulnerable.

What specific child-serving programs do these budget plans cut?

Most programs poor children depend on such as Medicaid, the Children’s Health Insurance Program (CHIP), the Supplemental Nutrition Assistance Program (SNAP), the school breakfast and lunch programs, education funding, Head Start, child care subsidies, housing subsidies, Pell Grants and many others are on the chopping block. Because they are not detailed spending plans, the budget resolutions provide only a limited amount of information about specific cuts. However, extrapolating from the totals they specify for particular categories of funding, it is clear that both budgets would lead to devastating cuts for programs serving poor and low-income children including:

- **Health coverage**: Both the House and Senate budget plans repeal the Affordable Care Act (ACA), including the Medicaid expansion, and convert Medicaid to a block grant with reduced funding. The House budget would also merge the new Medicaid block grant with the existing Children's Health Insurance Program (CHIP) block grant, potentially leading to the elimination of the child-focused CHIP. The House plan cuts more than $2.9 trillion from health care programs that benefit low- and moderate-income children over the next decade, while the Senate plan cuts $2.5 trillion.
  - **Impacts on children**: Currently the number of uninsured children in America is at a historic low. The ACA ensures 129 million children and adults with pre-existing health conditions can no longer be discriminated against or denied health coverage. It helps more than 5 million previously uninsured young adults 18-26 receive health coverage under their parents' insurance plans and extends coverage to age 26 for youths who were in foster care on their 18th birthday. In the 29 states plus the District of Columbia that took the option to expand Medicaid to near-poor adults, more than 10 million Americans have benefited, many previously uninsured parents and some young adults in low-wage jobs. Repealing the ACA and cutting Medicaid and CHIP would reverse the 40 percent reduction in the uninsured rate for children seen since the late 1990s, bringing us back to a time when millions more children lacked access to health coverage.
- **SNAP**: The House budget plan block grants the Supplemental Nutrition Assistance Program (SNAP) and cuts its funding by $125 billion, or more than a third, from 2021-2025. Although the Senate budget doesn't provide enough detail to tell for sure how SNAP would fare, it cuts non-health entitlement programs serving low- and moderate-income people, which includes SNAP, by 24 percent.
  - **Impacts on children**: In FY 2012, SNAP fed 22 million children, more than every fourth child. Cuts to SNAP would mean millions of children might lose benefits and be more likely to be hungry and suffer the long-term negative impacts of hunger. SNAP prevents children and families from going hungry, improves overall health and reduces poverty among families that benefit from it.[3] These benefits are long-lasting for the children of families that receive them. In fact, recent research shows children with access to food stamps in their youth are less likely to experience stunted growth, heart disease and obesity by age 19 and are nearly 20 percent more likely to complete high school.[4] Even with SNAP benefits at their current levels, more than 1 in 9 children did not have enough to eat in 2013.[5] Further slashing SNAP benefits will cause more children to go hungry, push families deeper into poverty and have negative repercussions for the entire nation.
- **Tax credits**: Both budget plans allow the expiration of key improvements to the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC) as well as the expiration of the American Opportunity Tax Credit at the end of 2017. These changes would result in $159 billion in lost credits for 26 million low- and middle-income families and students — raising taxes by an average of $900 apiece for 16 million working families and by $1,100 for 12 million families and students paying for college.[6]

- **Impacts on children**: This is a huge step backward for poor children. The Center on Budget and Policy Priorities estimates that allowing the EITC and CTC improvements to expire would push 1.8 million people into poverty, including 1 million children, and force 14.6 million people, including 6.7 million children, deeper in poverty.[7] Research shows these tax credits lead to improved infant and maternal health, better school performance, higher college enrollment and higher earnings. For every $3,000 a year in added income that children in working-poor families receive before age 6, they work an average of 135 more annual hours and increase their annual earnings 17 percent between the ages of 25 and 37.[8] Cutting them would jeopardize the future of millions of children.

- **Non-defense discretionary programs**: Both plans propose deep cuts below the already damaging sequestration levels for non-defense discretionary spending, which funds non-entitlement early childhood, education, housing assistance, job training and other important programs for low-income children and their families: $200 billion in cuts from 2016-2025 in the House and $100 billion in the Senate. Many of the programs in this category have already faced deep cuts since 2010, yet are targeted again, bringing non-defense discretionary funding in 2016 under these plans to the lowest real level in a decade.[9] Sequestration is already causing untold damage for countless American families and deeper cuts will only cause more lasting damage.

  Compared to the President's budget, which would eliminate the sequestration caps and make significant investments in programs for low-income children, including more than $80 billion in the Child Care and Development Fund and $75 billion for high-quality preschool over the next 10 years, the White House estimates the House budget in 2016 would lead to:

  - 35,000 fewer children served in Head Start;
  - $1.2 billion less in Title I education funding for poor children, enough to serve 1.9 million students;
  - $347 million less in Individuals with Disabilities Education Act (IDEA) funding, an amount that could support up to 6,000 special education teachers, paraprofessionals, and other related staff;
  - 133,000 fewer families receiving housing vouchers; and
  - 20,000 fewer rural families receiving housing assistance.[10]

- **Pell Grants**: The House plan eliminates the mandatory portion of funding for Pell Grants and freezes the maximum grant level for the next decade at $5,775, without an increase for inflation, even though college costs are likely to continue increasing. Although the Senate budget does not specify cuts to the Pell Grants program, it includes a 24 percent cut in non-health entitlement programs that would likely include reductions in Pell Grants.

  - **Impacts on children**: A college education is crucial for landing a job that can support a family in today's economy. Pell Grants help more than 8 million low- and moderate-income students afford college. Reducing federal aid for poor and low-income college students, at a time when college costs keep increasing, is deeply short-sighted.

While cutting programs for poor children, the House and Senate budget plans would increase defense spending and cut taxes for the rich.

Both budgets increase 2016 defense spending over the Department of Defense's request without technically violating the sequestration cap by inserting $38 billion in non-war spending into the Overseas Contingency Operations (OCO) budget, which is designed to fund the wars in Iraq and Afghanistan and is not subject to budget caps. Using the OCO to fund non-war spending is a budget gimmick conservatives have previously derided as deceptive and financially irresponsible. In addition, the House budget increases non-OCO defense spending by $387 billion from 2017-2025. In order to achieve the goal of balancing the budget within 10 years with no new revenues while increasing defense spending, these budgets require large cuts in non-defense spending, which disproportionately affect poor and low-income children.

The House plan would give tax cuts to the wealthiest people by repealing the ACA, which would repeal the health reform-related taxes on high-income filers, and eliminating the Alternative Minimum Tax (AMT), which currently helps ensure that higher-income people pay at least some minimum level of tax. The Center on Budget and Policy Priorities estimates that repealing these provisions would cut taxes by roughly $50,000 on average for those with incomes exceeding $1 million a year, but not even $10 on average for those making between $50,000 and $75,000 and would have no benefit for those below $50,000.[11] The lost revenue would equal more than $1 trillion over 10 years. The budget did not specify how that lost revenue would be offset.

While the House and Senate budget plans call for overhauling taxes paid by individuals and businesses and closing certain tax loopholes both budgets have a stated goal of achieving deficit reduction without any new revenues. This means any savings from closing tax loopholes would go towards lower tax rates for individuals and corporations rather than being used to fund additional investments in children, investments that are needed to address the nation's high rates of child poverty and growing inequality of opportunity.

Refusing to increase revenue also means larger cuts in spending are required in order to achieve the Republicans' goal of balancing the budget in 10 years, a goal that many experts believe is not as important to our long-term financial security as is investing in shared economic prosperity. Instead of asking the wealthiest to pay their fair share by reducing tax loopholes that benefit the rich and investing that revenue in children, the House and Senate budgets reduce food, health care and educational opportunities for poor and low-income children, an approach that is both deeply unfair and terribly short-sighted. Even President Reagan's top economic advisor, Martin Feldstein has said that reducing tax expenditures (spending through the tax code), which cost more than $1 trillion a year and primarily benefit the wealthiest 20 percent of Americans, is the "best way to reduce government spending."[12]

The House and Senate budgets only achieve "balance" on paper.

Lead economists and budget experts believe that a balanced budget is not as important to a healthy economy as is keeping the debt from growing faster than the economy.[13] In fact, the budget was only balanced in eight of the 33 years between 1946 and 1979, a period of strong economic growth.[14] In spite of this, both the House and Senate focus on balancing the budget within 10 years without raising additional revenues, despite the fact that this requires severe cuts to programs serving poor children and other crucial investments in our nation's future economic security.

Yet even with these crippling cuts, the House and Senate budgets only achieve balance on paper because they project that their tax cuts and deficit reduction will spur economic growth, which will in turn increase government revenues and decrease spending. Counting these kinds of effects in projections of budgetary impacts, a process called "dynamic scoring," is unprecedented and highly controversial because it requires making assumptions about uncertain impacts, assumptions that can be politically motivated.[15]

Such assumptions may also ignore the economic stimulus resulting from federal spending. For example, every $5 in new SNAP benefits generates $9 in total community spending and supports agricultural and food production jobs while helping businesses by making their employees more productive and less likely to take sick days.[16] Despite this clear positive impact, the House budget ignores the negative economic impact of $125 billion in SNAP cuts while assuming $147 billion in savings over 10 years due to deficit reduction.

What comes next?

The House and Senate are currently working on reconciling their two plans to create a compromise bill that can pass in both chambers. Votes on a compromise bill are expected the week of April 13th in order to meet the April 15th deadline required by the Congressional Budget Act of 1974. After that Appropriations committees will develop detailed spending plans for the 2016 fiscal year that conform to the limits and instructions of the budget resolution. Once passed by Congress, these appropriations bills would then require the President's signature. At this point, the President has said he will not sign any budget bill that that does not lift the sequestration spending caps for non-defense and defense discretionary spending, setting up a potential confrontation between the Republican-led Congress and the President since neither of the budget plans lift the sequestration caps.[17]

The compromise budget resolution will also include so-called "reconciliation instructions," which trigger a process that allows certain future tax, spending and debt limit legislation to be exempt from the Senate filibuster and pass with a simple majority. It is expected that the majority leadership will try to use reconciliation to repeal the ACA, as well as make other cuts to entitlement programs to achieve deficit reduction targets. They may also use it to enact comprehensive tax reforms to lower individuals and business tax rates and eliminate some tax loopholes.

Glossary of Budget Terms[18]

Mandatory (Entitlement) Spending: Federal spending on entitlement programs, in other words on benefits that people are entitled to. This includes Social Security, Medicare, Medicaid, CHIP, TANF, SNAP among other programs. Mandatory spending is not part of the annual appropriations process since funding levels depend on the number of people who are eligible for benefits set in law. Mandatory spending accounts for about two-thirds of federal spending.

Entitlement Programs: Federal programs in which all people who are eligible for the program's benefits, according to the eligibility rules written into law, must receive benefits if they apply for them. This includes Social Security, Medicare, Medicaid, CHIP, TANF, SNAP among other programs.

Discretionary (Non-Entitlement) Spending: The portion of the budget that the president requests and Congress appropriates every year, i.e. federal spending that is not mandatory/entitlement spending. This includes spending on education, early childhood, public health, job training, environmental protection, research among other areas. It represents less than one-third of the total federal budget.

Sequestration: Automatic, across-the-board spending cuts triggered by the Budget Control Act of 2011, which specified that sequestration would go into effect from 2013 through 2021 if certain deficit reduction goals were not met. These cuts went into effect for 2013. In December 2013, Congress reached a bipartisan deal to provide $63 billion in sequester relief for 2014 and 2015, split evenly between defense and non-defense programs so the full cuts are scheduled to go back into effect in 2016 unless Congress acts.

Block Grant: A form of government aid that the federal government uses to provide state and local governments a specified amount of funding to assist them in addressing broad purposes, such as community development, social services, public health or law enforcement. Although block grant proponents usually claim that they allow for federal funding to be spent more efficiently, in reality, they often serve as a way to cut program funding over time as they are not funded in a way that allows them to respond automatically to economic and demographic changes. Several long-term analyses of block grant funding show that their inflation-adjusted funding levels typically decrease over time. For example, a 2006 Government Accountability Office report found that funding for the Community Development Block Grant program had declined from $48 per capita in 1978 to $13 per capita at the time of the report's issuance.[19]

Tax Expenditures: Subsidies delivered through the tax code as deductions, exclusions and other tax preferences. They reduce the amount of tax that households or corporations owe.

Balanced Budget: A budget in which spending is equal to or less than revenues, and there is no deficit and need to borrow money to finance spending and add to the debt.

Endnotes

[1] Kogan, R. and I. Shapiro. March 23, 2015. “Congressional Budget Plans Get Two-Thirds of Cuts from Programs for People With Low or Moderate Incomes.” Center on Budget and Policy Priorities. http://www.cbpp.org/cms/index.cfm?fa=view&id=5289. Budget numbers in this fact sheet reflect calculations made by the Center for Budget and Policy Priorities (CBPP), which uses a slightly different baseline than the House and Senate Budget Committees to better compare their plans. Both the House and Senate committees use different baselines for their respective plans. The CBPP baseline is derived directly from the Congressional Budget Office baseline and can be used to compare the plans to each other.

[2] Statements of Robert Greenstein, President of Center on Budget and Policy Priorities, on House and Senate plans http://www.cbpp.org/cms/?fa=view&id=5284, http://www.cbpp.org/cms/?fa=view&id=5285

[3] Food Research and Action Center. 2013. SNAP and Public Health: The Role of the Supplemental Nutrition Assistance Program in Improving the Health and Well-Being of Americans. http://frac.org/pdf/snap_and_public_health_2013.pdf.

[4] Hoynes, H.W., D.W. Schanzenbach and D. Almond. 2012. Long Run Impacts of Childhood Access to the Safety Net. National Bureau of Economic Research. http://199.169.201.210/research/education_seminar_series/Schanzenbach_paper.pdf.

[5] United States Department of Agriculture Economic Research Service. 2014. “Household Food Security in the United States,” Table 1 B. http://www.ers.usda.gov/media/1565415/err173.pdf.

[6] White House. 2015. Fact Sheet: House Republican Budget Resolution: Same Failed Top-Down Economics. https://www.whitehouse.gov/the-press-office/2015/03/17/fact-sheet-house-republican-budget-resolution-same-failed-top-down-econo.

[7] Kogan, R. and I. Shapiro, *op. cit.*.

[8] Marr, C. C. Huang, A. Sherman and B. DeBot. 2015. “EITC and Child Tax Credit Promote Work, Reduce Poverty, and Support Children’s Development, Research Finds.” Center on Budget and Policy Priorities. http://www.cbpp.org/cms/?fa=view&id=3793.

[9] White House, *op. cit.*

[10] *Ibid.*

[11] Chuck Marr. Mar 18 2015. “House Budget Chair’s Priority: Tax Cuts for Well-to-Do.” Center on Budget and Policy Priorities. http://www.offthechartsblog.org/house-budget-chairs-priority-tax-cuts-for-well-to-do/

[12] Greenstein, R. and J. Friedman. March 13 2015. “Balancing the Budget in Ten Years and No New Revenue are Flawed Budget Goals. Center on Budget and Policy Priorities.” http://www.cbpp.org/cms/?fa=view&id=5282

[13] *Ibid.*

[14] *Ibid.*

[15]Van de Water, P.N. and C. Huang. Nov 17 2014. “Budget and Tax Plans Should Not Rely on “Dynamic Scoring”: Estimates Are Highly Uncertain and Subject to Manipulation.” Center on Budget and Policy Priorities. http://www.cbpp.org/cms/?fa=view&id=3598.

[16]U.S. Department of Agriculture. The Benefits of the Supplemental Nutrition Assistance Program (SNAP). http://www.fns.usda.gov/sites/default/files/bc_benefits.pdf.

[17] Sam Stein. Mar 21, 2015. “Obama Vows Not To Sign A Budget Bill That Doesn't Fix Sequestration.” Huffington Post. http://www.huffingtonpost.com/2015/03/21/obama-gop-budget_n_6905734.html

[18] The definitions above are drawn from the following sources: National Priorities Project. 2015. Federal Budget Glossary. https://www.nationalpriorities.org/budget-basics/federal-budget-101/glossary/; Center on Budget and Policy Priorities. 2015. Policy Basics: Tax Expenditures. http://www.cbpp.org/cms/?fa=view&id=4055; Dijger, R.J. and E. Boyd. 2014. Block Grants: Perspectives and Controversies. http://fas.org/sgp/crs/misc/R40486.pdf.

[19] U.S. Government Accountability Office. 2006. Community Development Block Grant Formula: Options for Improving the Targeting of Funds. http://www.gao.gov/assets/120/114275.pdf.