Children's Defense Fund
Budget Principles

October 2012

The Children's Defense Fund (CDF) supports a federal budget that protects children and low-income families from budget cuts, invests in children to promote long-term economic growth for the nation, and ensures that the most advantaged Americans and corporations pay their fair share.

Any budget deal must improve and not worsen the state of America's children by:

1) Protecting investments in children and low-income families from cuts.

- Since the bipartisan *Balanced Budget Act of 1985*, the fundamental principle of protecting children and other vulnerable populations has been a cornerstone of deficit reduction in America. *Every automatic budget cut mechanism of the past quarter-century has exempted core low-income assistance programs from all cuts.*
- Children are the poorest age group in America, with more than 1 in 5 children—1 in 3 children in communities of color—living in poverty. Recent polling conducted by the Pew Research Center found almost 60 percent of Americans oppose cutting investments in anti-poverty programs, while a Public Opinion Strategies poll showed even larger numbers of likely voters oppose cuts to Medicaid (73 percent) or education programs (75 percent).
- Cutting children from the budget now will cost us more later. Eliminating the Earned Income Tax Credit now would increase child poverty 23 percent. Since poor children are more likely to drop out of high school, they are less likely to find steady work as adults. Paying for each year of high school dropouts costs us more than $125 billion over the course of their lifetimes. Be careful what you cut!

2) Investing in children to create jobs and promote economic growth for the nation.

- Economists agree that investing in children promotes economic growth. For example:
  - Early childhood programs have an estimated inflation-adjusted annual rate of return of 10 percent or higher, and studies show that while children and their families benefit, society as a whole enjoys the majority of the economic return through the contributions that skills and productive workers make to the economy.
  - Investments in education that raise high school graduation rates have been shown to yield a public benefit of $209,000 per student in higher government revenues and lower government spending, and an economic benefit to the public purse that is 2.5 times greater than the costs.
- Investments in early childhood and health coverage for children, supplemental nutrition assistance, work supports like child care and job training, and the Earned Income and Child Tax Credits help create jobs now while preparing children for the jobs of the future.

3) Ensuring the most advantaged Americans and corporations pay their fair share.

- Any action to reduce the nation's deficit must adopt a balanced approach, relying more on revenue increases than on spending cuts.
- Allowing the Bush tax cuts for the wealthiest two percent of Americans to expire on schedule is critical to achieving a more just society while maintaining a strong safety net that all Americans can count on.
  - In 2010, the lowest 60 percent of taxpayers took in about the same share of income as the highest one percent.
  - Corporate tax expenditures (deductions, exemptions and credits) cost the nation about $103 billion in lower tax receipts in 2011. At the same time, American corporations reaped profits at an annual rate over 10 times this amount in late 2010 – $1.678 trillion. Clearly corporate tax loopholes could be closed without much of a dent in profits. **Each hour** about $11.8 million is lost to these loopholes – money that could instead pay for:
    - Annual salaries for 420 Head Start teachers; or
    - Pell Grants for 3,100 low-income students to attend college; or
    - Medicaid benefits for 4,800 low-income children for a year; or
    - WIC benefits for 23,600 women and children for a year; or
    - SNAP benefits (food stamps) for 9,700 children and adults for a year.

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