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SENATE'S BALANCED BUDGET AMENDMENT COULD FORCE DEEP CUTS IN AID TO STATES

By Kelsey Merrick and Richard Kogan

The Republican-sponsored version of a constitutional balanced budget amendment, which the Senate voted on today, would require enormous federal budget cuts, very likely resulting in dramatic reductions in federal grants to states and localities for services ranging from education to highway maintenance to public safety. The attached tables show how much each state risks losing in total federal assistance and in funding for six selected grant programs.

The proposal's requirement for a balanced budget could take effect in 2018¹ and would require severe budget cuts because of its combination of a balanced budget requirement and a cap on total federal spending, which would limit spending to a projected 16.6 percent of gross domestic product (GDP) in that year.² Congress would have to cut all programs by an average of *one-quarter* in 2018 alone,³ on top of the large cuts that will be made under the austere caps on discretionary spending for each of the next ten years imposed by the Budget Control Act *and* the additional reductions in those caps that will be imposed because the "supercommittee" was not successful.⁴

Since one-sixth of federal program spending — and about one-third of non-defense discretionary spending — flows directly to states and localities to carry out various government functions, the proposal would likely result in very large cuts to public services. In 2018 alone, if Congress cut all federal programs by the same percentage, total federal aid to states and localities would be cut by a

¹ The amendment specifies that its requirements would take effect in the fifth fiscal year after its ratification. If Congress approved the amendment this year, ratification by three quarters of the states could potentially be completed during the first nine months of calendar year 2013. If so, the amendment would take effect for fiscal year 2018.

² The amendment sets a spending cap for each fiscal year equal to 18 percent of GDP in the prior calendar year. The spending cap will therefore be less than 18 percent of GDP whenever nominal GDP is growing. Under CBO's most recent economic assumptions, the spending cap would be 16.6 percent of GDP in fiscal year 2018.

³ For more on the overall impact of the Senate Republicans' proposed Constitutional balanced budget amendment (S. J. Res 23), see Richard Kogan and Kelsey Merrick, "The Senate's Balanced Budget Amendment Would Require Extreme Budget Cuts," Center on Budget and Policy Priorities, December 5, 2011, <http://www.cbpp.org/files/12-5-11bud.pdf>.

⁴ For an explanation of how the discretionary caps for years after 2013 are affected by the failure of the Joint Select Committee on Deficit Reduction (the "supercommittee") to achieve \$1.2 trillion in deficit reduction, see Richard Kogan, "How the Across-the-Board Cuts in the Budget Control Act Will Work," Center on Budget and Policy Priorities, December 2, 2011, <http://www.cbpp.org/files/12-2-11bud2.pdf>.

stunning \$171 billion. For example, federal highway grants would be cut by \$10.8 billion, Title I and special education grants to schools would be cut by \$6.5 billion, Head Start would be cut by \$1.8 billion, and Medicaid funding would be cut by \$114 billion. As noted, these cuts would be in addition to those already required under the Budget Control Act (BCA). (Indeed, taking the BCA cuts into account, the proposed balanced budget amendment would bring overall spending on non-defense discretionary programs in 2018 — the part of the budget that includes most programs that provide grants to states and localities — approximately 38 percent below the 2010 level, adjusted for inflation.)

Moreover, these and other estimates in this report more likely *understate* than *overstate* the depth of the cuts in funding for state-run programs. This is because Congress, instead of cutting all programs by the same percentage, would likely cut certain politically popular programs by smaller percentages. The large programs most likely to be protected — Social Security, Medicare, veterans' programs, and defense — are not grants to states or localities. If Congress protected certain programs from the full effect of the required cut, it would have to impose even deeper cuts on all other programs, including grants to states and localities.

For example, if Congress did not cut Social Security, it would have to cut all other federal program spending would by a little over one-third.

Impact of Cuts in 2018, Assuming Across-the-Board Reductions

The proposed balanced budget amendment would require an estimated \$981 billion (25 percent) cut in total program spending in 2018. As noted, if Congress cut all programs by the same percentage, total federal aid to states would be cut by \$171 billion. The attached tables show the impact of such a cut on each state, as well as the total and state-by-state impact of the federal funding reductions for selected grant programs in three broad areas: education and early learning, health and nutrition, and infrastructure.

Education and Early Learning

- The tables show the cuts in two major K-12 education grant programs: Title I grants to local education agencies and special education grants, which go to local schools to help ensure that low-income communities and students with special needs have access to decent-quality schools, teachers, and resources. Cuts to these programs would likely force states to reduce aid to low-income schools and special education programs, threatening student outcomes and educational equity. The Senate's balanced budget amendment would lead to a cut in Title I grants of \$3.4 billion in 2018 and a cut in special education grants of \$3.1 billion (assuming all programs are cut by the same percentage).
- The tables also show the cuts in Head Start, which provides child care and early education for nearly 1 million low-income pre-school-age children nationwide.⁵ Head Start helps at-risk children up to age 5 prepare for school by enhancing their social and cognitive development

⁵ Stephanie Schmit, "Head Start Participants, Programs, Families and Staff in 2010," CLASP, December 2011, <http://www.clasp.org/admin/site/publications/files/HSpreschool-PIR-2010-Fact-Sheet.pdf>.

through education, health, nutritional, and other services and by engaging families in children's learning. Cuts to Head Start would likely force local agencies to drop some low-income children from the program, weaken the quality of education and care that the program provides, or both. The Senate's balanced budget amendment would lead to a cut in Head Start of \$1.8 billion in 2018.

Health and Nutrition

- The tables show the cuts in the Special Supplemental Nutrition for Women, Infants, and Children (WIC) program. WIC provides nutritious foods, counseling on healthy eating, and health care referrals to low-income pregnant and postpartum women, infants, and children under age 5 who are at nutritional risk. An extensive body of research has found that WIC is effective in improving birth outcomes, diets, and the overall health of participants. The Senate's balanced budget amendment would lead to a cut of \$1.5 billion from WIC in 2018.
- The tables also show the cuts in Medicaid, the insurance program that provides health coverage to low-income families and individuals — including children, parents, seniors, and people with disabilities — and is funded jointly by the federal government and the states. Children account for about half of all Medicaid enrollees.⁶ Cuts to Medicaid could adversely affect health outcomes for low-income children and families. The Senate's balanced budget amendment would lead to a cut of \$114 billion in federal funding for Medicaid in 2018.

Infrastructure

- The tables show the cuts for highway planning and construction grants. These grants are part of the Federal-Aid Highways program, which provides federal funds to aid in the development and management of interstate transportation systems. The Senate's balanced budget amendment would lead to a cut of \$10.8 billion in highway planning and construction grants in 2018.

⁶ Center on Budget and Policy Priorities, "Policy Basics: Introduction to Medicaid," December 17, 2008, <http://www.cbpp.org/files/policybasics-medicaid.pdf>.

Table 1:

Cuts to Federal Aid to States and Localities in 2018 Under S.J. Res 23: Selected Education Programs

In millions of dollars

	Total grants	Selected Education Programs		
		Title I	Special Education	Head Start
U.S. Total	-\$170,901	-\$3,443	-\$3,100	-\$1,836
Alabama	-\$2,861	-\$53	-\$49	-\$29
Alaska	-\$868	-\$10	-\$10	-\$3
Arizona	-\$3,440	-\$68	-\$49	-\$28
Arkansas	-\$1,694	-\$36	-\$30	-\$17
California	-\$20,492	-\$421	-\$330	-\$223
Colorado	-\$2,000	-\$34	-\$41	-\$18
Connecticut	-\$1,681	-\$29	-\$36	-\$14
Delaware	-\$477	-\$10	-\$9	-\$4
District of Columbia	-\$1,069	-\$12	-\$5	-\$7
Florida	-\$8,262	-\$163	-\$169	-\$70
Georgia	-\$4,986	-\$111	-\$86	-\$45
Hawaii	-\$813	-\$11	-\$11	-\$6
Idaho	-\$753	-\$12	-\$15	-\$6
Illinois	-\$6,167	-\$147	-\$136	-\$72
Indiana	-\$3,041	-\$61	-\$69	-\$26
Iowa	-\$1,710	-\$18	-\$33	-\$14
Kansas	-\$1,307	-\$24	-\$29	-\$14
Kentucky	-\$2,493	-\$52	-\$42	-\$29
Louisiana	-\$5,377	-\$73	-\$51	-\$39
Maine	-\$907	-\$13	-\$15	-\$7
Maryland	-\$2,922	-\$48	-\$54	-\$21
Massachusetts	-\$3,990	-\$58	-\$76	-\$29
Michigan	-\$5,282	-\$131	-\$108	-\$63
Minnesota	-\$2,788	-\$31	-\$51	-\$19
Mississippi	-\$2,907	-\$46	-\$32	-\$43
Missouri	-\$3,241	-\$56	-\$61	-\$32
Montana	-\$746	-\$11	-\$10	-\$6
Nebraska	-\$985	-\$15	-\$20	-\$10
Nevada	-\$803	-\$20	-\$18	-\$6
New Hampshire	-\$621	-\$9	-\$13	-\$4
New Jersey	-\$4,084	-\$71	-\$97	-\$35
New Mexico	-\$1,607	-\$28	-\$25	-\$14
New York	-\$15,883	-\$304	-\$204	-\$116
North Carolina	-\$5,390	-\$89	-\$86	-\$38
North Dakota	-\$483	-\$8	-\$7	-\$5
Ohio	-\$6,623	-\$127	-\$118	-\$66
Oklahoma	-\$2,109	-\$37	-\$40	-\$22
Oregon	-\$2,080	-\$35	-\$35	-\$16
Pennsylvania	-\$6,775	-\$140	-\$115	-\$61
Rhode Island	-\$736	-\$13	-\$12	-\$6
South Carolina	-\$2,487	-\$51	-\$47	-\$22
South Dakota	-\$508	-\$10	-\$9	-\$5
Tennessee	-\$3,142	-\$59	-\$63	-\$32
Texas	-\$11,738	-\$322	-\$259	-\$128
Utah	-\$1,353	-\$15	-\$29	-\$10
Vermont	-\$524	-\$8	-\$7	-\$4
Virginia	-\$2,829	-\$56	-\$76	-\$27
Washington	-\$3,309	-\$48	-\$60	-\$27
West Virginia	-\$1,201	-\$25	-\$20	-\$14
Wisconsin	-\$2,618	-\$49	-\$56	-\$24
Wyoming	-\$742	-\$8	-\$7	-\$3

Source: Center on Budget and Policy Priorities based on Office of Management and Budget, Congressional Budget Office, Centers for Medicare and Medicaid Services, and Census Bureau. National totals include cuts to U.S. territories, not shown separately.

Table 2:
Cuts to Federal Aid to States and Localities in 2018 Under S.J. Res 23: Selected Health and Nutrition Programs
 In millions of dollars

	<i>Selected Health and Nutrition Programs</i>		
	TOTAL grants	WIC	Medicaid
Total	-\$170,901	-\$1,488	-\$113,950
Alabama	-\$2,861	-\$26	-\$1,618
Alaska	-\$868	-\$6	-\$340
Arizona	-\$3,440	-\$28	-\$2,869
Arkansas	-\$1,694	-\$16	-\$1,400
California	-\$20,492	-\$243	-\$12,281
Colorado	-\$2,000	-\$16	-\$948
Connecticut	-\$1,681	-\$11	-\$1,327
Delaware	-\$477	-\$4	-\$334
District of Columbia	-\$1,069	-\$3	-\$602
Florida	-\$8,262	-\$81	-\$4,934
Georgia	-\$4,986	-\$54	-\$2,742
Hawaii	-\$813	-\$8	-\$411
Idaho	-\$753	-\$6	-\$502
Illinois	-\$6,167	-\$50	-\$3,469
Indiana	-\$3,041	-\$25	-\$2,268
Iowa	-\$1,710	-\$12	-\$1,013
Kansas	-\$1,307	-\$11	-\$794
Kentucky	-\$2,493	-\$24	-\$1,926
Louisiana	-\$5,377	-\$26	-\$2,464
Maine	-\$907	-\$4	-\$837
Maryland	-\$2,922	-\$22	-\$1,705
Massachusetts	-\$3,990	-\$21	-\$3,212
Michigan	-\$5,282	-\$41	-\$3,427
Minnesota	-\$2,788	-\$23	-\$2,080
Mississippi	-\$2,907	-\$20	-\$1,691
Missouri	-\$3,241	-\$22	-\$2,579
Montana	-\$746	-\$4	-\$322
Nebraska	-\$985	-\$7	-\$546
Nevada	-\$803	-\$9	-\$422
New Hampshire	-\$621	-\$3	-\$380
New Jersey	-\$4,084	-\$28	-\$2,861
New Mexico	-\$1,607	-\$10	-\$1,277
New York	-\$15,883	-\$94	-\$13,596
North Carolina	-\$5,390	-\$43	-\$3,686
North Dakota	-\$483	-\$2	-\$206
Ohio	-\$6,623	-\$46	-\$4,368
Oklahoma	-\$2,109	-\$16	-\$1,391
Oregon	-\$2,080	-\$17	-\$1,192
Pennsylvania	-\$6,775	-\$40	-\$5,262
Rhode Island	-\$736	-\$5	-\$567
South Carolina	-\$2,487	-\$21	-\$1,733
South Dakota	-\$508	-\$3	-\$241
Tennessee	-\$3,142	-\$30	-\$2,735
Texas	-\$11,738	-\$138	-\$7,562
Utah	-\$1,353	-\$10	-\$651
Vermont	-\$524	-\$3	-\$366
Virginia	-\$2,829	-\$23	-\$1,597
Washington	-\$3,309	-\$31	-\$2,044
West Virginia	-\$1,201	-\$9	-\$991
Wisconsin	-\$2,618	-\$19	-\$1,686
Wyoming	-\$742	-\$2	-\$154

Source: Center on Budget and Policy Priorities based on Office of Management and Budget, Congressional Budget Office, Centers for Medicare and Medicaid Services, and Census Bureau. National totals include cuts to U.S. territories, not shown separately.

Table 3:
Cuts to Federal Aid to States and Localities in 2018 Under S.J. Res 23: Selected Infrastructure
 In millions of dollars

	TOTAL grants	<i>Selected Infrastructure</i>
		Highway Planning and Construction
Total	-\$170,901	-\$10,783
Alabama	-\$2,861	-\$212
Alaska	-\$868	-\$115
Arizona	-\$3,440	-\$200
Arkansas	-\$1,694	-\$119
California	-\$20,492	-\$1,112
Colorado	-\$2,000	-\$174
Connecticut	-\$1,681	-\$142
Delaware	-\$477	-\$36
District of Columbia	-\$1,069	-\$38
Florida	-\$8,262	-\$490
Georgia	-\$4,986	-\$362
Hawaii	-\$813	-\$52
Idaho	-\$753	-\$89
Illinois	-\$6,167	-\$353
Indiana	-\$3,041	-\$256
Iowa	-\$1,710	-\$131
Kansas	-\$1,307	-\$123
Kentucky	-\$2,493	-\$157
Louisiana	-\$5,377	-\$189
Maine	-\$907	-\$54
Maryland	-\$2,922	-\$149
Massachusetts	-\$3,990	-\$171
Michigan	-\$5,282	-\$309
Minnesota	-\$2,788	-\$268
Mississippi	-\$2,907	-\$142
Missouri	-\$3,241	-\$282
Montana	-\$746	-\$104
Nebraska	-\$985	-\$76
Nevada	-\$803	-\$89
New Hampshire	-\$621	-\$45
New Jersey	-\$4,084	-\$227
New Mexico	-\$1,607	-\$98
New York	-\$15,883	-\$448
North Carolina	-\$5,390	-\$294
North Dakota	-\$483	-\$71
Ohio	-\$6,623	-\$356
Oklahoma	-\$2,109	-\$176
Oregon	-\$2,080	-\$133
Pennsylvania	-\$6,775	-\$465
Rhode Island	-\$736	-\$56
South Carolina	-\$2,487	-\$158
South Dakota	-\$508	-\$74
Tennessee	-\$3,142	-\$229
Texas	-\$11,738	-\$862
Utah	-\$1,353	-\$89
Vermont	-\$524	-\$46
Virginia	-\$2,829	-\$249
Washington	-\$3,309	-\$224
West Virginia	-\$1,201	-\$128
Wisconsin	-\$2,618	-\$220
Wyoming	-\$742	-\$85

Source: Center on Budget and Policy Priorities based on Office of Management and Budget, Congressional Budget Office, Centers for Medicare and Medicaid Services, and Census Bureau. National totals include cuts to U.S. territories, not shown separately.

Appendix: Methods and Assumptions

This analysis assumes that the following will be the same in 2018 as in 2008: 1) the share of total federal program funding allocated for aid to states and localities; 2) each state's share of that total federal spending on aid to states and localities; and, 3) each state's share of spending for each of the selected grant programs. We chose 2008 as the base year because it is the most recent year for which available data were not affected by the 2009 Recovery Act, which temporarily boosted federal funding and might have skewed the normal state-by-state distribution of some grant programs. The share of total federal spending on aid to states going to each state in 2008 was calculated from Census data.

The state-by-state distribution of spending for each of the selected grant programs is based on state-level data on obligations for 2008 from the Analytical Perspectives volume of the President's 2010 budget, and, for Medicaid, from the Centers for Medicare and Medicaid Services. We used each state's share of obligations in 2008 to calculate its share of total outlays for grants to states and localities and its share of outlays for each selected grant program in 2018.

To calculate how much spending each grant program would be cut in 2018, we determined the level of funding for each grant program in 2018 under current projections. We based this on the Congressional Budget Office's (CBO's) August baseline projections, the most recent federal budget projections through 2021. Since CBO released its August projection, however, Congress passed and the President signed into law the Budget Control Act of 2011, which placed restrictive caps on discretionary funding, including further reductions in those caps resulting from the failure of the Joint Select Committee on Deficit Reduction — the “supercommittee” — to produce legislation that would reduce the deficit by \$1.2 trillion.⁷ Therefore, we adjusted CBO's August baseline projections of grant programs to reflect these reductions, assuming cuts will be made proportionately in all discretionary programs to comply with the limits. In addition, because CBO does not project spending below the budget account level, we assumed that the selected grant programs which are contained in a budget account that also includes other programs will represent the same share of spending from that account in 2018 as in 2008.

Finally, we assumed that the 25 percent reduction in total program spending that would be required under the Senate's balanced budget amendment in 2018 will be applied proportionately to all programs.⁸ Under that assumption, the cuts to states and localities would total \$170.9 billion in 2018. The tables show the cuts in each of the selected grant programs and how those cuts would be distributed across states, assuming that the cuts are proportional.

⁷ For more, see Richard Kogan, “How the Across-the-Board Cuts in the Budget Control Act Will Work,” Center on Budget and Policy Priorities, December 2, 2011, <http://www.cbpp.org/files/12-2-11bud2.pdf>.

⁸ See Appendix, Richard Kogan and Kelsey Merrick, “The Senate's Balanced Budget Amendment Would Require Extreme Budget Cuts,” Center on Budget and Policy Priorities, December 5, 2011, <http://www.cbpp.org/files/12-5-11bud.pdf>, for more on how we determined average percentage cuts due to the Senate's balanced budget amendment.