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## President Biden's 2024 Budget Moves Us Toward Nation Where Everyone Can Thrive

*Statement of Sharon Parrott, CBPP President, on President Biden's 2024 Budget*

President Biden's 2024 budget invests in people and communities and creates a 21<sup>st</sup> century tax system that supports these investments to build toward an economy that works for everyone. It lays out an agenda that would move us closer to a nation where everyone — regardless of their background, identities, or where they live — has the resources they need to thrive and share in the nation's prosperity.

The budget makes important investments in a range of areas, including in children, supports for workers, housing affordability, education, and core government functions, among others, and finances these investments by raising taxes on high-income people and profitable corporations that have benefitted the most from the nation's economy. The President's budget would broaden opportunity, including among people and communities who have long been underinvested in, such as people with low incomes, people of color, Indigenous communities, and people in rural communities, among others.

The President's budget priorities stand in stark contrast with the emerging House Republican agenda — an agenda that pushes more tax cuts for the wealthy and profitable corporations, and holds the economy hostage by demanding deep spending cuts in areas like K-12 schools, health care, medical research, college tuition help, and help buying groceries as the price for raising the debt limit. Taken together, this emerging agenda would increase hardship and narrow access to opportunity; widen already large differences in outcomes by race, ethnicity, and geography; and hurt the country as a whole.

As Congress and the Administration engage in the budget process this year, a central part of the debate will be deciding funding levels for defense, veterans' medical care, and "non-defense discretionary" programs (outside of veterans' health care) through annual appropriations. Non-defense discretionary programs fund a wide range of priorities including many that are central to strengthening the economy and promoting opportunity, as well as delivering basic government functions. The President's budget makes sound investments here, showing an increase in overall funding for non-defense discretionary programs (outside of veterans' health care) of about 7.3 percent as compared to 2023 funding levels, offsetting the effects of inflation and providing modest but meaningful resources for new investments in key areas. (The percent increase figures for program areas cited below do not take inflation into account.)

For example, the budget invests in helping people afford rent and supporting people experiencing homelessness. It provides \$2.4 billion in additional funding for Housing Choice Vouchers, which bridge the gap between what a household can afford and the cost of rent in their communities, and an \$122 million increase for homelessness services and supports, with \$6 million targeted to people living with HIV/AIDS who need housing assistance.

The budget also increases discretionary child care funding by almost \$1 billion (12 percent), building on a robust investment made in 2023, and boosts support for Head Start by \$1.1 billion. Even with these increases, funding will remain well below what is needed to ensure that all families with low or moderate incomes have access to affordable and quality child care.

The budget invests in education, boosting Pell Grant funding and raising the maximum award by \$500, building on progress in raising the grant level over the last two years to help students with low and moderate incomes afford college. The budget also increases K-12 funding that supports schools, students with low incomes, and students with disabilities.

The budget recognizes the importance of ensuring effective operation of basic government functions, increasing funding for the Social Security Administration by \$1.4 billion or 10 percent, to begin addressing long wait times, short-staffed field offices, and long delays in disability benefit decisions, due to deep funding cuts since 2010.

The budget proposes to increase base funding for the IRS by \$1.8 billion or 15 percent over the 2023 level. The increase reflects a commitment to deliver an IRS that honest taxpayers and business owners deserve: one that provides taxpayer assistance, efficiently processes tax returns, and collects legally owed taxes from people who would try to cheat. The budget recognizes that this will require both sufficient annual appropriations for the agency's ongoing base operations as well as the funding provided by the Inflation Reduction Act.

These important proposals would move the nation forward, but most are modest in scope. The President's budget recognizes that more significant investments in a number of areas are needed outside of appropriations to advance economic, health, and racial justice, and it lays out a more robust agenda that would support families and workers, address the affordable housing crisis, expand health coverage, and support older adults and people with disabilities. While political disagreements mean that most larger-scale advances can't be achieved this year, putting them forward offers a clear vision of the policies necessary to create broadly shared prosperity.

For example, the budget supports families by expanding the Child Tax Credit. It permanently extends the credit to the 19 million children — including nearly half of Black children, more than 1 in 3 Latino and American Indian and Alaska Native children, and 1 in 6 white and Asian children — who currently receive a partial credit or none at all because their families' incomes are too low. And it permanently allows families to receive the credit on a monthly basis. The budget also temporarily increases the *amount* of the credit through 2025 (when policymakers must revisit tax policy because of the expiration of the individual tax cuts in the 2017 tax law). We know an expanded Child Tax Credit works. The American Rescue Plan's temporary expanded Child Tax Credit provided the full credit for the first time to children in families with low incomes and to 17-year-olds and increased the credit amount overall, which helped drive down overall child poverty dramatically and narrowed the large differences in child poverty across racial and ethnic categories when these provisions were in effect in 2021.

Other provisions in the President's budget also help workers and families. The budget's game-changing \$600 billion in new investments in child care and pre-K would support children's development, help families make ends meet, and boost the economy by helping more parents afford the care they need to work, while the proposal for a national paid family and medical leave program would help workers take time off to care for their families while staying connected to their jobs. And the budget would permanently expand the Earned Income Tax Credit for workers without minor children at home to supplement the wages of low-paid workers and help them make ends meet.

The President's budget makes some important advances in addressing the affordable housing crisis. In addition to the rental assistance funding for 2024 through regular appropriations, it includes \$22 billion in additional funding over the next ten years for vouchers through the "mandatory" part of the budget: \$9 billion to support the estimated 20,000 youth who age out of foster care each year and \$13 billion to expand assistance to 450,000 veteran families with extremely low incomes, though more resources will be needed to reach all such families. While an important step forward, substantially more investment will ultimately be needed to help all of the 16 million households paying more than half of their income on rent or experiencing homelessness, housing instability, and overcrowding. But this is an important down payment and a recognition that resources outside of appropriations are necessary.

The budget takes significant steps toward universal health coverage and would improve health equity. It would expand coverage to more than 2 million people — most of whom are Black or Latinx — who lack any path to coverage because they live in states that have refused to adopt the Affordable Care Act's (ACA) Medicaid expansion. It also makes permanent expanded premium tax credits that make ACA marketplace coverage more affordable for millions of people and have resulted in higher coverage rates. The budget continues to lower prescription drug costs, saving money for consumers and for the federal government. And it increases funding for home- and community-based services through Medicaid, which are critical for helping older people and people with disabilities remain in the community and get the care they need.

In addition, the budget protects Social Security and Medicare, which provide income and health coverage to tens of millions of older and disabled people. It also shores up Medicare financing by securing further prescription drug savings, closing a tax loophole that deprives the program of revenues, and modestly raising the Medicare tax rate on high-income households. But protecting these programs from harmful cuts is not enough to meet the needs of low-income older adults and people with disabilities, and additional targeted support is needed, such as improvements in income support through the Supplemental Security Income program.

The budget calls for strengthening federal nutrition assistance programs as part of this year's debate around the farm bill, which will reauthorize both SNAP, which helps millions of households buy groceries, along with farm and conservation programs. While some congressional Republicans have called for deep cuts in SNAP, the President's budget calls for a farm bill that eliminates barriers to food assistance for vulnerable groups and moves the nation toward the goal of ensuring everyone has access to healthy, affordable food.

The budget raises revenues to pay for its investments and reduce the deficit. The revenue proposals move the country away from the flawed trickle-down path of the 2017 tax law and toward a tax code that raises more needed revenues, reins in multinational corporations' ability to shift their

profits offshore to avoid taxes, is more progressive and equitable, and supports investments that make the economy work for everyone.

The proposals address the long-standing problem that many of the wealthiest households who have gained the most from the nation's economy pay very little in individual income taxes, and sometimes none at all. They push against high levels of inequality, help address longer-term fiscal challenges, and begin to restore the public's faith that the government works on behalf of all people, not just the well-heeled. Altogether, the budget shows that its proposed policies would reduce deficits over the next decade by nearly \$3 trillion.

The revenue increases take revenues as a share of the economy back to late-1990s levels, when growth was strong. Evidence is sorely lacking that the benefits from recent rounds of corporate tax cuts have trickled down, while multinationals continue to shift substantial profits offshore. The recent, deep cut in the corporate tax rate needs to be revisited and the U.S. needs to align our international tax rules with the global minimum tax agreement, as the President's budget proposes. Moreover, the budget addresses a fundamental flaw in our tax code that allows some of the wealthiest households in the country to pay little or nothing each year in individual income taxes — the main federal tax — by requiring very wealthy people to pay taxes on a primary source of their income, unrealized capital gains.

The U.S. has high levels of hardship, with millions of households even before the pandemic unable to afford the basics. This level of hardship is a policy choice, not an economic inevitability.

We saw during the pandemic that public policy can sharply reduce poverty and hardship, with poverty overall and among children reaching historically low levels in 2021; those efforts, however, have ended. Other wealthy nations make different policy choices and have different outcomes: lower poverty rates, universal health coverage, affordable child care, and better protections for workers. Taken together, these higher-investment policies often result in higher labor force participation rates than in the U.S.

The President's budget lays out a vision of 21<sup>st</sup> century investments paid for by a sound tax system that requires those who have benefitted the most from our economy to pay a more reasonable amount in taxes. That path is one that leads to broader opportunity, greater economic and health security, lower levels of hardship, and a nation where everyone can thrive.

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