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CBPP STATEMENT

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New Budget Resolution Is Upside Down, Hurting Families the President Pledged to Serve to Shower Tax Cuts on the Wealthy and Powerful

Statement of Sharon Parrott, CBPP President, on proposed Senate budget resolution:

With the release of a budget plan the Senate hopes to pass this week, Congress is speeding down a path to a deeply harmful budget and tax "reconciliation" bill that showers tax cuts on millionaires, billionaires, and corporations — and pays for it in part by raising health care and food costs through cuts in Medicaid and SNAP, increasing hardship and leaving millions without health coverage. Even with these large cuts, the tax cuts called for in the budget plan are so expensive that deficits will rise substantially, raising economic risks associated with higher debt in service to expensive tax cuts skewed to the wealthy.

But nothing is set in stone yet. Policymakers need to course-correct and remember their campaign pledges to help ease families' strained budgets, not contort the budget to the desires of the very wealthy. That would mean crafting a budget bill that doesn't raise families' health and grocery costs but instead invests in making health care more affordable and expands the Child Tax Credit to support families who face challenges affording the basics. These investments and lower deficits can be achieved by a sounder tax policy that requires corporations and the wealthy — who benefit enormously from public investments — to pay their fair share.

Senate Republicans are using smoke and mirrors to mask the devastating arithmetic of this budget plan, hiding how much the tax cuts cost and how much they plan to cut from areas like Medicaid, SNAP, and student loans. But make no mistake: this budget lays out a plan to make college more expensive and take food assistance and health coverage away from families the President campaigned on protecting, while increasing the incomes of households in the top 1 percent — those with incomes above roughly $1 million — by an average of $62,000 per year *before* adding more business and corporate tax breaks on top, according to a recent analysis by the Tax Policy Center.

The budget sets up a shocking $5.3 trillion in tax cuts or more, mostly occurring over nine years since most of the 2017 tax cuts do not expire until 2026. That is $1.5 trillion more than the cost of the expiring 2017 tax cuts Senate Republicans are seeking to extend. And the $5.3 trillion figure could go still higher if Republicans cut Medicaid or other supports low-income families need that are under the jurisdiction of the Senate Finance Committee.

The budget and tax reconciliation legislation that this budget would put into motion is just one piece of the triple threat agenda the White House and congressional Republicans are pursuing. Second is the executive actions that unlawfully stop funds Congress has enacted for public services and investments; hollow out and politicize the civil service, degrading public services; and undermine core government systems, such as those at the Social Security Administration and the Treasury Department, while risking data privacy for hundreds of millions of people and businesses. And the third piece — which the President is doubling down on today — is sweeping tariffs created without any congressional approval, which will cost families with low and moderate incomes hundreds if not thousands of dollars, more than offsetting whatever modest tax cuts they may receive from the budget plan released today.

Taken together, the budget plan released today, like so much of what the Administration is pursuing, is upside down — hurting the people, families, and communities the President pledged to serve during the campaign and showering tax cuts on the already wealthy and powerful. This is not an agenda for shared prosperity, which is necessary for a country to be truly great.

Budget Resolution Obscures True Intent on Cuts That Will Raise Families' Costs, Increase Poverty, and Take Away People's Health Coverage

The structure of this budget resolution is highly unusual. The resolution includes "reconciliation instructions" for both Senate and House committees, as expected. These are instructions to House and Senate committees directing them to craft legislation that increases the deficit by no more than — or reduces the deficit by at least — the dollar amount specified in the resolution. Future budget and tax legislation that meets those reconciliation instructions can then be considered in the Senate under special reconciliation rules that protect it from a filibuster, allowing it to pass by a majority vote.

But, in an extraordinary sleight of hand, the House and Senate instructions do not match.

The House instructions call for the committee with jurisdiction over Medicaid to cut at least $880 billion over ten years, the committee with jurisdiction over food assistance through SNAP to cut at least $230 billion, and the committee with jurisdiction over student loans to cut at least $330 billion. These figures match the cuts required by the extreme House Budget Resolution passed in February.

Typically, the instructions to the Senate committees would match those in the House, except where changes are needed to account for differences between the two chambers in which committees have jurisdiction over particular programs. In this budget resolution, however, the Senate committees with jurisdiction over SNAP and student loans are directed to cut at least $1 billion over ten years, rather than the far higher levels in the House instructions. The instruction to the Finance Committee, which is responsible both for the tax provisions and Medicaid, does not explicitly assume large Medicaid cuts either.

But those who are concerned about Medicaid, SNAP, or student aid cuts should not take solace in these different instructions. While the Senate could in theory craft a reconciliation bill that only hits the *de minimis* program cut targets assigned to the Senate committees, nothing in the Senate resolution would prevent the same large cuts to health, food assistance, and student aid that the very same resolution *directs* House committees to achieve. And given that some conservative Senators have called for enacting program cuts that are *deeper* than those assigned in the House, and the budget resolution and congressional budget rules allow for that outcome, the threat that the ultimate reconciliation bill will deepen poverty, raise costs, and leave more people uninsured is extremely high.

Even cuts that are a fraction of the size of the potential $880 billion cut to Medicaid and $230 billion cut to SNAP in the House instructions would cause serious harm, including increasing costs for strapped families and leaving more people uninsured and unable to afford enough food. While the President campaigned on protecting people who struggle in this economy, a budget bill that ultimately cuts SNAP, Medicaid, and student loans could mean parents skipping meals so their children can eat; adults going without needed cancer treatment or insulin to control diabetes, leading to poorer health and even death; and more families struggling to afford necessities and their student loan payments.

House and Senate Republicans have repeatedly made misleading statements about their intentions to cut Medicaid and SNAP, arguing that they are simply cutting waste, fraud, and abuse and that the cuts will not harm people. Yet the specific proposals congressional Republicans have been considering for weeks are *not* about efficiency. For example, proposals to cap federal funding, shift costs to states, or impose harsh work requirements that trip people up with red tape would cut health coverage and food assistance for honest people who need help, not reduce fraud. With 72 million people enrolled in Medicaid and 42 million receiving food assistance from SNAP, the stakes are very high.

Budget Resolution Uses Gimmicks to Mask True Costs of Tax Cuts and Impact on Deficits

In addition to laying a path for deep cuts, the Senate budget resolution *appears* to let the Senate Finance Committee increase deficits by up to "just" $1.5 trillion between 2025 and 2034. How is this number so low when the cost of extending the expiring individual and estate 2017 tax cuts is more than twice as large? **Another gimmick**.

The budget plan simply asserts that extending the expiring 2017 tax cuts, which would cost about $3.8 trillion through 2034, costs nothing at all, making it possible to circumvent Senate rules, which do not allow a reconciliation bill to increase deficits over the long term. When using honest accounting, the Senate Finance Committee is permitted to increase deficits by up to $5.3 trillion. This reflects extending the expiring 2017 tax provisions and piling more tax cuts on top, as discussed more below.

The Balanced Budget and Emergency Deficit Control Act of 1985 generally requires that the cost of bills that change tax and entitlement laws be evaluated by comparing revenues and costs under the legislation to their costs under the law if the legislation were *not* enacted (i.e., to "current law" or "existing law"). When President Trump and congressional Republicans passed the 2017 tax law, they scheduled the individual and estate tax provisions to expire after 2025 to reduce the ten-year cost of their tax package and comply with Senate rules prohibiting a reconciliation bill from increasing deficits beyond the resolution's ten-year budget window.

This year, by contrast, the Senate Republicans are concocting a "current policy" baseline, where the tax cuts scheduled to expire after 2025 are assumed to continue *in the baseline*. By making this switch, Senate Republicans are able to make the cost of extending trillions of dollars of expiring tax cuts simply disappear.

But don't be fooled. Their high cost will still show up in lower revenues and higher deficits and debt — as well as in future calls from policymakers to further cut health care, food assistance, and even Social Security and Medicare, to address the nation's fiscal challenges that the tax cuts are worsening.

To further mask the deficit impact of the agenda the resolution puts forward, the budget relies on $9 trillion in unspecified cuts.

Finally, the budget comes against the backdrop of sweeping tariffs that are causing private-sector forecasters and the Federal Reserve to forecast lower economic growth and higher inflation. Indeed, a recent Congressional Budget Office (CBO) analysis found that extending the 2017 tax cuts would have no noticeable benefit on the size of the economy a decade from now, and a separate CBO analysis shows that whatever minimal benefits arise would be swamped by the economic harms of large tariffs like those the Trump Administration has said it will implement.

Additional Tax Cuts Piled on Top of the 2017 Tax Cuts

Both the House and Senate reconciliation instructions allow for piling more tax cuts on top of extending the already expensive 2017 tax cuts. As explained above, the instructions limit the Senate Finance Committee to "only" increase deficits on top of the masked cost of extending the expiring tax cuts by $1.5 trillion. While this allows for significant new tax cuts, it also amounts to just a fraction of the cost of the tax priorities President Trump and congressional Republicans have identified, including tax cuts for corporations and increasing the amount of state and local taxes that high-income households can deduct. In total, President Trump has called for up to $7 trillion in additional tax cuts, beyond extending the 2017 tax law, that congressional Republicans may seek to implement.

Enacting more of these additional costly tax cuts would require offsetting savings through some combination of policies that raise revenues and cut programs in the Senate Finance Committee's jurisdiction — which include Medicaid, most of the clean energy investments in the Inflation Reduction Act, and the Temporary Assistance for Needy Families and the Supplemental Security Income programs. Each dollar cut from of these programs will let congressional Republicans cut taxes by an additional dollar.

The tradeoffs are stark: tax cuts that are skewed to the wealthy, partially paid for by cuts in Medicaid, which provides health coverage for millions of children, adults with low incomes, seniors receiving long-term care, and people with disabilities; income assistance and other supports to very low-income families with children; or income assistance to low-income disabled people and seniors.

Finally, in addition to its spending cuts and tax cuts, the Senate budget plan calls for *increased* spending in military and homeland security programs by directing the Senate Committees on Homeland Security and Judiciary to increase spending by up to $175 billion, and on Armed Services to increase spending up to $150 billion. The homeland security spending would likely pay for more border wall construction as well as a large-scale expansion of detention and deportation operations. The scale of resources committed goes well beyond any narrow effort related to people convicted of crimes. Deporting millions of our neighbors who are immigrants will not make our nation safer. Beyond the great harm inflicted on themselves and their families, mass deportations harm the fabric of our communities, and our economy by taking away workers who do important jobs.

Overall, the budget relies heavily on pretense: pretending that cuts to programs that provide critical services to people won't hurt them and pretending that permanently extending extremely costly tax cuts has no cost.

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