

*Revised March 28, 2003*

**THE HUMAN COSTS OF CUTS IN MAJOR LOW-INCOME PROGRAMS  
CONTAINED IN THE HOUSE BUDGET RESOLUTION**

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The House Budget Resolution requires various Congressional committees to pass legislation making \$265 billion in cuts over the next ten years in entitlement, or “mandatory,” programs. The Senate budget contains no such provisions.

Approximately 62 percent of these cuts — \$165 billion — are slated to come from programs for low-income families and individuals. These include programs that provide nutrition assistance, income support, health care, and child care to families with children (especially working poor families), as well as to poor elderly individuals and people with disabilities. These cuts would remain in effect at least through 2013, unless a future Congress enacted another law overturning some or all of them. (The House Budget Resolution also makes \$244 billion in cuts in domestic “discretionary,” or annually appropriated, programs, below the 2003 levels, adjusted for inflation. The Senate budget contains \$159 billion in domestic discretionary cuts. A number of programs that assist low-income families are discretionary and likely would be affected by these cuts as well. This report, however, focuses entirely on the cuts to entitlement programs. This report examines the House cuts in entitlement programs.)

**Cuts in Low-income Entitlement Programs Under the House Budget**

<b>Program</b>	<b>Total Cuts 2004 - 2013</b>	<b>Dollar Cut in the Year When Cuts Would be Deepest</b>
Medicaid	\$92.1 billion	\$25.2 billion
Supplemental Security Income	\$18.5 billion	\$2.8 billion
Earned Income Tax Credit (refundable portion)	\$13.8 billion	\$2.1 billion
Food Stamps	\$12.5 billion	\$1.9 billion
Temporary Assistance for Needy Families	\$7.9 billion	\$1.2 billion
Child Nutrition (including school lunches)	\$5.8 billion	\$900 million
Foster Care and Adoption Assistance	\$3.7 billion	\$600 million
Child Support Enforcement	\$2.6 billion	\$400 million
Child Tax Credit (refundable portion)	\$2.4 billion	\$400 million
Child Care (mandatory funding)	\$1.2 billion	\$200 million

Like all budget resolutions, the House budget resolution is a broad blueprint. It does not provide details or directives about exactly *how* Congress should achieve these substantial cuts in each of these low-income entitlement programs. Instead, it directs each of a number of Congressional committees to pass legislation that achieves a specific level of cuts in entitlement programs under that committee's jurisdiction. The House budget also shows how these cuts are assumed to be distributed across 20 components of the federal budget, known as budget "functions." (The exact amounts of the cuts specified for each budget function are not binding, but they indicate the manner in which the House Budget Committee assumes its budget-cut targets will be reached).

This analysis assumes that all entitlement programs within a given budget function would be cut by approximately the same percentage; we make this assumption because House Budget Committee Chairman Jim Nussle has stated that the entitlement reductions in the House Budget Resolution are generally assumed to be proportional.<sup>2</sup> A Congressional committee could choose to make a smaller cut (or none at all) in a given program, but then it would have to make deeper cuts in another program or programs under its jurisdiction to achieve the amount of savings it is required to produce.

This report illustrates the magnitude of the cuts that the House Budget Resolution would require in various low-income programs. It does so by comparing the size of the cuts in these programs with the cost of key components of the programs. It finds, for example, that in the year in which the required cuts would be deepest:

- The cut in the Food Stamp Program, if achieved by reducing the maximum food stamp benefit, would lead to a reduction in the average benefit per person from an already lean 91 cents per meal down to 84 cents per meal.
- The cut in the Supplemental Security Income program, if achieved by reducing the number of SSI recipients, would lead to the elimination of SSI benefits for 476,000 low-income elderly individuals and people with disabilities. Alternatively, if the cut were achieved by reducing the maximum SSI benefit, SSI recipients with no other income would see their benefit — and their total income — fall from an already low 74 percent of the poverty line to 70 percent.
- The cut in child care funding, if achieved by reducing the number of children assisted, would lead to the elimination of child care assistance for 268,000 low-income children.
- The reduction in Medicaid, if achieved entirely by reducing the number of children covered, would lead to the elimination of health coverage for 13.6 million children. Alternatively, if the cut were achieved by reducing the number of low-income elderly individuals and people with disabilities who receive long-term care through Medicaid, it would lead to the elimination of care for about one-fourth of such individuals.

- The cut in TANF, if achieved by reducing the number of slots in welfare-to-work programs, would require the elimination of about 340,000 such slots. (It is worth noting that states would be required to *expand* their welfare-to-work programs significantly under the TANF reauthorization bill that the House of Representatives passed earlier this year.)
- The cut in child nutrition programs, if achieved by reducing the number of children eligible for free school lunches, would lead to the elimination of free lunches for 2.4 million low-income children.
- The cut in foster care and adoption programs, if achieved by reducing the number of children eligible for foster care assistance payments, would lead to the elimination of benefits for 65,000 abused and neglected children.
- The cut in child support enforcement, if achieved by reducing the funding available for enforcement activities, would be projected to reduce child support collections by \$1.6 billion.

These examples, as well as additional examples provided in this report, are illustrative. They are not intended as predictions of exactly how Congress would achieve the cuts called for in the House Budget Resolution. But they provide a sense of the magnitude of the cuts that would result from the House Budget Resolution.

In coming days, members of the House and Senate will be meeting to craft a Budget Resolution Conference Report that will then be considered by both chambers. As policymakers consider how to construct a final Budget Resolution, the effects that these low-income entitlement cuts would have on poor households — and particularly on poor families, children, elderly individuals and people with disabilities, who make up the vast bulk of the people served by these programs — should be carefully considered.

## Food Stamps

The House Budget Resolution assumes that the Food Stamp Program would be cut by *\$12.5 billion* between 2004 and 2013. The deepest food stamp cuts are scheduled for fiscal year 2010, when they would reach almost *\$2 billion*.

- **If this cut were achieved by reducing food stamp benefit levels across the board, it would reduce the average benefit per person that food stamps provide from 91 cents per meal to 84 cents per meal.**
- **Even after the effects of inflation are taken into account, the \$2 billion cut that would be required in 2010 is more than the total food stamp benefits provided in fiscal year 2002, or expected to be provided in 2003, to all low-income households in 19 states and the District of Columbia: Alaska, Connecticut, Delaware, Hawaii, Idaho, Iowa, Kansas, Maine, Montana,**

Nebraska, Nevada, New Hampshire, New Mexico, North Dakota, Rhode Island, South Dakota, Utah, Vermont, and Wyoming.

- **The House Agriculture Committee has jurisdiction over only one other significant nutrition program that is an entitlement-type program — the \$140-million Emergency Food Assistance Program (TEFAP) — and thus could not shield the Food Stamp Program from the significant cuts the House Budget Resolution requires.** TEFAP effectively is the *only* other program (outside of farm programs) that the Committee could cut to contribute to the level of savings required by the Budget Resolution. But even if the Agriculture Committee zeroed out these TEFAP funds and eliminated all purchases of food for TEFAP, it would achieve less than one-tenth of the required savings. Moreover, cutting the TEFAP program itself would be highly problematic. TEFAP provides food to food banks and through them to soup kitchens and food pantries across the country. With less food, these providers would have to reduce the number of families served or the amount of food they provide to the nation's neediest people, and would do so at the very time that the need for food assistance would be rising due to the cuts being made in other low-income programs such as food stamps and SSI.

### **Supplemental Security Income (SSI)**

The SSI program provides basic income assistance to low-income elderly individuals and people with disabilities. Under the House Budget Resolution, the SSI program would be subject to *\$18.5 billion* in cuts over the 2004 - 2013 period if the SSI program received the same percentage cut as the other programs in the same budget function. The cuts in SSI would be deepest in 2010, when they would total *\$2.8 billion*.

- **If these savings were to be achieved by reducing the number of people eligible for SSI benefits, some 476,000 low-income elderly individuals and people with disabilities would have to be cut from the program.**<sup>3</sup>
- **If these savings were achieved by reducing the maximum benefit, SSI recipients with no other income would see their benefit fall from an already low 74 percent of the poverty line to 70 percent.** About half of SSI recipients receive the maximum SSI benefit level because they have no or almost no other income.<sup>4</sup>

### **Child Care**

The federal government provides states with both entitlement funding and discretionary funding for child care through the Child Care and Development Block Grant. Under the House Budget Resolution, entitlement funding for child care would be cut *\$1.2 billion* over the 2004 –

### Would Some Programs Be Protected From Cuts?

Supporters of the House Budget Resolution sometimes claim that a certain program will be “protected” from cuts under the Budget Resolution. Although the committees with jurisdiction over these low-income entitlement cuts would have some flexibility about which programs they cut, they would be *required* by the Budget Resolution to craft legislation (and pass it out of the committee) that achieves a specified level of cuts. For example, the House Budget Resolution *requires* the Ways and Means Committee to pass a bill that includes \$61.5 billion in cuts. Some \$17.8 billion of this amount could come from a non-controversial extension of expiring customs-related fees. The remaining \$43.7 billion would have to come from cuts in programs under the Committee’s jurisdiction.

The main programs under the jurisdiction of the Ways and Means Committee include Social Security, Medicare, Unemployment Insurance, and a set of low-income entitlement programs such as SSI, TANF, the child care block grant, foster care and adoption assistance, and the Social Services Block Grant. The Budget Act prohibits making cuts in Social Security in a budget reconciliation bill, and the Budget Resolution includes an explicit assumption that Medicare will not be cut. Thus, to satisfy the Budget Resolution, the Ways and Means Committee effectively would be required to impose very large cuts in low-income programs. The Committee could decide to spare a particular program — such as TANF — but then other low-income entitlement programs would have to be cut more deeply.

Another example concerns Medicaid. The House Budget Resolution requires that the House Energy and Commerce Committee, which oversees Medicaid, cut \$107 billion from programs under its jurisdiction. The House Resolution also indicates that entitlement spending in Function 550 (Health) is to be reduced by \$98 billion over ten years. Exempting health care for military retirees from the reduction (because it falls under the jurisdiction of the House Armed Services Committee, which is exempt from having to make cuts) and distributing the \$98 billion in reductions proportionally over the remaining programs in that budget function yields the estimate that Medicaid will be cut by \$92 billion over the FY 2004 - 2013 period. If the Committee wished to cut significantly less than this \$92 billion from Medicaid, it would have great difficulty doing so; it would be hard for the Committee to find other programs from which to obtain sufficient savings for the Committee to meet its budget-cut target, since Medicaid is the only large entitlement program under its jurisdiction.

2013 period if the child care block grant received the same percentage cut as other programs in this budget function. When compared to the CBO baseline, the reduction in child care entitlement funding would be deepest in 2010, when it would total \$200 million. (Because the House Budget Resolution also calls for substantial cuts in overall discretionary spending, the funding for child care that is provided from the non-entitlement — or discretionary — side of the budget also could be cut.)

The \$200 million cut represents a reduction in funding below the levels reflected in the Congressional Budget Office “baseline.” The CBO baseline assumes that child care entitlement funding will be *frozen* for the next ten years at its current funding level of \$2.7 billion a year, with no adjustment for inflation. Because the cost of the wages and salaries of child care workers (and the cost of renting space for child care centers) rises over time with inflation, the number of child care slots that states can fund would fall each year under the funding levels reflected in the CBO baseline, even if no cuts are made below the baseline levels.

- **Under the House Budget Resolution, states would be able to provide child care subsidies to 268,000 fewer children in 2010 than can currently be served with child care entitlement funding.** This reflects the effects not only of the \$200 million cut in child care entitlement funding under the House budget but also of the long-term freeze on child care funding reflected in the CBO baseline.<sup>5</sup> If child care funding provided on the *non-entitlement* side of the budget also were cut, the number of child care slots lost would be even larger.

## TANF

Under the House Budget Resolution, the TANF block grant would be subject to *\$7.9 billion* in cuts over the 2004 – 2013 period if TANF received the same percentage cut as other programs in the same budget function. When compared to the CBO baseline, the TANF cuts would be deepest in 2010, when they would total *\$1.2 billion*.

The TANF block grant is used to support a wide array of benefits and services for low-income families. While the TANF block grant supports basic cash assistance programs for poor families with children, the drop in welfare caseloads in recent years has led states increasingly to direct TANF funds to employment-related services for low-income *working* families, such as child care programs and transportation assistance. If each state's TANF block grant allocation were reduced, states would have to make difficult decisions about which TANF-funded benefits and services to cut.

- **If states were to reduce the amount of TANF funds they spend on welfare-to-work programs by \$1.2 billion, about 340,000 welfare-to-work slots would be lost annually.** This reduction would happen even as states would be required to *expand* their welfare-to-work programs significantly under the House TANF reauthorization bill passed earlier this year.
- **The elimination of all TANF funding for transportation assistance would achieve less than half of \$1.2 billion in required cuts.**

It should be noted that the TANF reauthorization bill that passed the House earlier this year did not include cuts in either TANF or child care funding (and included some very modest increases). If the Ways and Means Committee wanted to keep the TANF and child care funding levels approved in the TANF bill the House has passed, the Committee would need to find deeper cuts in other programs under its jurisdiction, such as the Supplemental Security Income program for poor elderly individuals and people with disabilities, the Earned Income Tax Credit, and the Social Services Block Grant.

## Medicaid

The House Budget Resolution calls for Medicaid cuts totaling *\$92 billion* over the 2004 – 2013 period. These cuts would be deepest (as compared to the CBO baseline) in 2013, when they would reach *\$25 billion*.

- **A \$25 billion cut in federal Medicaid spending likely would result in *total* cuts in the program of \$44 billion when the associated loss of state funding is considered.** The Medicaid program is a “matched” program in which the federal government and states share the cost of providing health care to low-income individuals. This means that when federal Medicaid costs are cut by \$1, state funding falls by an average of 75 cents. Low-income individuals and health care providers, therefore, must absorb \$1.75 in cuts for each \$1 in federal Medicaid savings.
- **\$25 billion is equal to fully one-half of the projected federal cost of providing Medicaid to children in 2013.** Stated another way, if states were to achieve \$25 billion in federal savings entirely by reducing the number of children receiving Medicaid, states would have to cut *13.6 million children* off the program, or about half of all children who are projected to receive Medicaid during 2013.<sup>6</sup>
- **Alternatively, \$25 billion is equivalent to about one-quarter of the federal cost of providing long-term care services to low-income elderly individuals and people with disabilities receiving Medicaid.**<sup>7</sup> Thus, if states were to absorb all of these cuts by reducing the number of individuals receiving long-term care services, nearly one in four low-income seniors and individuals with disabilities receiving such services through Medicaid would have to be denied nursing home care.
- **Even if the federal Medicaid cuts were somehow structured such that states either could not or did not reduce the Medicaid expenditures financed with *state* funds despite the large reductions in federal expenditures — an unlikely scenario — the cuts still would be very large.** If states did not reduce their spending in step with the federal cuts, they still would need to cut off almost *8 million children* from Medicaid in order to achieve a \$25-billion cut in federal Medicaid spending by reducing children’s coverage. Similarly, if states chose to achieve this cut solely by reducing the number of elderly individuals and individuals with disabilities receiving long-term care services, they would have to eliminate coverage for 13 percent of the individuals now receiving these services even if the state did not reduce state spending.

## Child Nutrition

Under the House Budget Resolution, child nutrition programs would be subject to *\$5.8 billion* in cuts over the 2004 – 2013 period, if these programs received the same percentage cut

as the other programs in the same budget function. The cuts in the child nutrition programs would be deepest in FY 2010, when they would amount to *\$900 million*.

- **If states were to achieve this \$900 million cut by reducing the number of children receiving free school lunches, they would have to eliminate free school lunches for 2.4 million low-income school children.**
- **Alternatively, if states were to achieve this \$900 million cut by reducing the number of children receiving *reduced-price* lunches, they would have to eliminate nearly 400 million reduced-price lunches, or 87 percent of the projected total.**
- **\$900 million is more than *three times* the cost of the entire Summer Food Service Program.** Even if the entire Summer Food Service Program were eliminated, an additional \$600 million in cuts would be needed to achieve the \$900 million goal.
- **If the cuts were achieved by reducing school lunch subsidies for low-income children, the subsidy for every free or reduced-price school lunch would need to be reduced by 31 cents.** A cut of this magnitude would result in federal free lunch subsidies falling well below the cost that schools incur in providing these lunches in accordance with federal nutrition guidelines. As a result, many schools would likely find it difficult to provide meals that meet the nutrition standards.

### **Foster Care and Adoption Assistance**

Under the House Budget Resolution, mandatory child welfare programs would be subject to *\$3.7 billion* in cuts over the 2004 – 2013 period, if they received the same percentage cut as the other programs in the same budget function. The cuts to these programs would be deepest in FY 2010, when they would be *\$600 million*.

- **If this \$600 million cut were to be achieved by reducing the number of abused and neglected children who receive foster care assistance, benefits would have to be eliminated for 65,000 such children.<sup>8</sup>** (These benefits consist of payments made to foster care families or group care facilities to provide care for these children.)

### **Child Support Enforcement**

Under the House Budget Resolution, the child support enforcement program would be subject to *\$2.6 billion* in cuts over the 2004 – 2013 period, if it receives the same percentage cut as the other programs in the same budget function. The cuts would be deepest in 2010 when they would reach *\$400 million*.



- **If the \$400 million in cuts are achieved by reducing funding for child support enforcement activities — such as seeking support orders, tracking down noncustodial parents who do not pay child support, and enforcing wage withholding rules — child support collections would be expected to fall by \$1.6 billion in 2010.**<sup>9</sup> The reduction in child support collections would be still greater if states reduced their spending on enforcement activities in step with federal cuts.<sup>10</sup> (Like Medicaid, the child support enforcement program is a "matched" program which means a reduction in federal spending usually leads to a reduction in state spending as well.) Recent research has found a strong correlation between the amount spent on enforcement activities and the amount of child support collected on behalf of children. Studies have shown that states that invested more in child support enforcement were able to collect more child support.<sup>11</sup>

## **Conclusion**

The \$165 billion in cuts in low-income entitlement programs in the House Budget Resolution would significantly weaken a range of programs that provide basic assistance to working-poor families, low-income children, the elderly poor, and people with disabilities. Millions of these individuals and families could have benefits and services upon which they rely reduced, or even eliminated. The House Budget Resolution would cut programs that assist large numbers of vulnerable families and individuals in order to offset a small share of the cost of large tax cuts that would provide benefits heavily skewed to the nation's wealthiest households.

## Endnotes

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<sup>1</sup> The following people contributed to this report: Leighton Ku, Zoë Neuberger, Dottie Rosenbaum, David Super, and Eileen Sweeney of the Center on Budget and Policy Priorities; Jennifer Mezey and Vicki Turetsky of the Center for Law and Social Policy; and Mary Lee Allen of the Children’s Defense Fund.

<sup>2</sup> This analysis assumes that no cuts will be made to the Unemployment Insurance program because Chairman Nussle has stated repeatedly and in writing that this program would not be cut.

<sup>3</sup> This figure was calculated by dividing \$2.9 billion by the CBO projection of average SSI benefits in 2010.

<sup>4</sup> This figure was computed by applying the percentage cut in the SSI program in 2010 to the CBO projection of the average SSI benefit in 2010. This represents the amount by which the maximum SSI benefit would have to be reduced. (If the maximum benefit is reduced by \$10, for example, then nearly all SSI recipients would receive a \$10 reduction in their benefits.) The projected maximum benefit level under current law — computed by increasing the current maximum benefit level by the projected inflation rate between 2003 and 2010 — and the maximum benefit level after the cut is imposed were compared to the projected federal poverty line in 2010.

<sup>5</sup> States are required to spend a certain level of state funds for child care in order to qualify for their full federal allotment of child care funds. Because a portion of the federal child care funds require a state match, if federal child care funding were reduced, the amount states are required to spend would be reduced as well. A \$200 million cut in federal mandatory child care funding would result in a reduction in required state spending on child care of \$150 million. Even if states did not reduce their spending by this \$150 million, they would have to eliminate 239,000 child care slots under the funding levels in the House Budget Resolution.

<sup>6</sup> These figures were calculated based on the Congressional Budget Office’s projections of the average federal cost of Medicaid services for children and CBO’s projections of the number of children who will be enrolled in Medicaid during 2013.

<sup>7</sup> These figures were calculated based on the Congressional Budget Office’s projections of the average federal cost of long-term care services for elderly and disabled individuals participating in the Medicaid program

<sup>8</sup> This figure was computed by dividing the level of the cut required in 2010 by a projection of the average annual foster care payment level in 2010. The projection of the average annual foster care payment is based on data on average annual foster care payments from the **2000 Green Book** published by the Ways and Means Committee.

<sup>9</sup> This amount assumes that states do not decrease their spending when federal funds are cut and that states would reduce spending evenly throughout the child support program and is based on states’ average “efficiency” rating which shows that for each \$1 spent on child support enforcement activities, \$4 in child support is collected.

<sup>10</sup> If states reduced their spending on child support enforcement by the same percentage that federal spending was reduced, child support collections would be expected to drop by about \$2.4 billion in 2010.

<sup>11</sup> See Garfinkel, et al., “Child Support Enforcement: Incentives and Well-being,” Joint Center for Poverty Research, 2000; and Fishman, et al., “Preliminary Assessment of the Association between State Child Support Enforcement Performance and Financing Structure,” Lewin Group, 2000.