

Republican Plans to Cut Taxes Now, Cut Programs Later Would Leave Most Latinos Worse Off

Congressional Republicans this fall are poised to launch step one of a likely two-step tax and budget agenda: enacting costly tax cuts now that are heavily skewed toward wealthy households and profitable corporations, then paying for them later through program cuts mostly affecting low- and middle-income families. Most Latino families would lose more from the program cuts than they would gain from the tax cuts.

Congress appears headed toward crafting a tax-cut bill that would largely benefit the top 1 percent of households and profitable corporations, while increasing deficits by \$1.5 trillion over the next decade. (And the true cost, with no budget gimmicks, could be even higher.) Tax cuts will lead to larger deficits — claims that tax cuts pay for themselves fly in the face of decades of experience and credible, mainstream economic research.

When deficits rise, those who supported the tax cuts will likely label these deficits as unacceptable and point to *spending* as the culprit. When that happens, they presumably will call for the kinds of deep cuts they've already proposed in their long-range budget plans, which would hit basic assistance for struggling families, health care and education, and other key investments. Those cuts could happen as soon as next year.

Congressional Republicans could have chosen to write a single bill with both the tax cuts they favor and the program cuts or tax increases to pay for them. This would have enabled the public and policymakers to evaluate the tradeoffs and make an informed decision. Instead, they have chosen to obscure this tradeoff by splitting their agenda into two parts. But this doesn't change the reality: the wealthy would win large tax cuts while everyone else would pay the tab.

The Republican Two-Step Fiscal Agenda

Step 1: Cut taxes for the high-income households now, driving up deficits

House and Senate tax bills would increase deficits by \$1.5 trillion and give largest tax cuts to the top-earning households and profitable corporations.

Step 2: Use higher deficits to justify cuts in critical programs for Latinos, such as:

- Medicaid
- Food assistance through SNAP
- College aid and job training
- Education

When Tax Cuts Are Ultimately Paid For, Latinos Likely to Bear Significant Burden

President Trump and Republican House and Senate leaders have been very clear on the areas they want to cut. The Trump and congressional budget plans for the next decade would cut basic assistance and health care for millions of low- and moderate-income people, making it harder for them to afford the basics and get health care. They also would cut key investments in areas such as education, job training, Head Start, and child care. Indeed, the Administration and congressional leaders have pointed to *current* deficit projections — even *without* \$1.5 trillion in new, deficit-increasing tax cuts — to justify these cuts. Once a tax bill is law and deficits grow, they will likely argue that the resulting higher deficits make such cuts even more urgent.

- **Health care.** The Trump and congressional budget plans call for cutting Medicaid and subsidies to purchase coverage through the Affordable Care Act marketplaces by between \$1.3 trillion and \$1.9 trillion over the next decade, with most of the cuts coming from Medicaid. The cuts would grow over time. For example, under the Trump plan Medicaid would be cut by 47 percent in 2027. Medicaid provides health coverage to 7.4 million Latino adults and 12.2 million Latino children, in addition to millions of seniors and people with disabilities. Some beneficiaries could lose coverage entirely, while others could see cuts in the health services they receive, including home- and community-based services for older people and those with disabilities and school-based health services for students with disabilities.
- **Food assistance.** The Trump budget would cut SNAP (formerly food stamps) by at least \$140 billion over the decade; the cuts would reach about 30 percent in 2027. The congressional budget plan deeply cuts the budget area that funds SNAP but provides fewer specifics. In a typical month, SNAP provides basic food aid to about 10 million Latino individuals. Benefits are already modest — for example, on average, Latino households with children receive just \$69 per week in food assistance through SNAP.
- **Access to college.** The Trump and congressional budget plans would cut Pell Grants and student loans, which help low- and middle-income students attend college. Some 1.8 million Latino college students — 50 percent of all Latino students — received Pell Grants in 2011-12. Latino students are more likely to receive Pell Grants than students overall because

eligibility is based largely on income. Both the Trump and congressional budget plans also would cut student loans, a critical source of aid for many Latino families. Other programs at risk of further cuts include assistance to Hispanic Serving Institutions and programs that help minority and disadvantaged students prepare for and succeed in higher education.

- **Tax credits for working families.** The tax bill proposed by House Ways and Means Chairman Kevin Brady would deny the Child Tax Credit to 3 million children in immigrant families, 80 percent of whom are U.S. citizens. Congress might also cut the Earned Income Tax Credit as part of future budget-cutting legislation, as an earlier House proposal would have done.
- **Other key investments.** The Trump and congressional budget plans would deeply cut non-defense discretionary (NDD) funding, the budget area that supports a broad set of investments, such as housing assistance, early learning and child care, and job training. These cuts would come on top of NDD cuts imposed since 2010, largely by the caps imposed by the 2011 Budget Control Act. By 2027, under the congressional plan, overall NDD funding would be 18 percent below its 2017 level and 29 percent below its 2010 level, adjusted for inflation. The cuts under the Trump plans are even deeper.

While the Trump and congressional budget plans don't specify where these cuts would come from after 2018, areas that have already seen cuts or where Congress or President Trump have proposed cuts for 2018 would likely be hit:

- **K-12 education.** Funding for elementary and secondary education has already fallen by 13 percent since 2010, adjusted for inflation. Under the congressional budget plan, the cut would grow to 29 percent by 2027 if K-12 were cut by the same share as NDD overall. Schools that serve large numbers of disadvantaged students, known as "Title I schools," could face significant funding cuts.
- **Child care and Head Start.** Even today, just 1 in 6 children eligible for child care assistance receive it, and Head Start serves only a small fraction of eligible infants and toddlers (and about half of 3- and 4-year-olds) due to inadequate funding. Despite this, the House and Senate funding bills for 2018 provide little or no increase for these programs. Since the cost of hiring teachers and buying teaching materials rises each year with inflation, both plans would likely lead to a *decline* in the number of children that child care and Head Start serve.

Under the congressional budget plan, by 2027 Head Start could serve roughly 170,000 fewer children than in 2016 — unless the program took drastic measures to reduce its cost and quality — if Head Start were cut by the same share as NDD overall. Head Start is an important source of early education for Latino children. In 2015-16, Head Start served more than 400,000 Latino children, about 37 percent of all children served.

- **Job training.** This area has already seen very large cuts, and these would deepen. In 2017, funding for the basic job training formula grants under the Workforce Investment Opportunity Act was 19 percent below the 2010 level and 40 percent below the 2001 level, adjusted for inflation. Under the congressional plan, if job training is cut by the same percentage as overall NDD funding, by 2027 it would be 33 percent below the 2010 level and 50 percent below the 2001 level. These programs assist roughly 7 million people each year, with services ranging from job search assistance and counseling to intensive training.
- **Housing assistance.** Housing assistance plays an essential role in helping low-income families to pay the rent, yet only 1 in 4 eligible families receive rental assistance due to inadequate funding. The Trump and congressional budget plans would likely result in large cuts to rental assistance — including vouchers, aid tied to certain private developments, and public housing — with cuts growing over time. For example, by 2027, an estimated 900,000 low-income households would lose rental assistance under the congressional plan, if housing programs bear a proportional share of the budgets' NDD cuts. Such cuts would increase homelessness and housing insecurity. In 2016, some 20 percent of all individuals receiving rental assistance, or nearly 2 million people, were Latino.

The Bottom Line: Program Cuts Would Outweigh Most Families' Tax Cuts

The GOP tax framework released in late September and the House Ways and Means proposal would provide very large tax cuts to the wealthiest Americans and profitable corporations, while providing only modest or no help to millions of low- and moderate-income households. Indeed, under the House plan, 10 million children in low-income working families would not benefit at all from the proposed expansion in the Child Tax Credit and 13 million additional children would receive less than the full \$600-per-child increase available to higher-income families. When Congress turns its attention to paying for those tax cuts, most Latino families would likely lose more from cuts in areas such as health care, child care assistance, college aid and job training, food assistance, and refundable tax credits — that is, from programs that provide them with needed support or promote their upward mobility — than they would gain from the heavily skewed tax cuts.