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Five Things to Look for in the President's 2021 Budget

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President Trump's budget, to be released February 10, will provide a roadmap of the types of policies his Administration will try to pursue this year, using various tools at its disposal including executive actions and litigation as well as legislation. The budget also will illuminate the policy and budgetary changes that the Administration would likely pursue in *future* years in areas such as health, nutrition assistance, disability benefits, and others if the President is re-elected and a future Congress is open to such policies.

This analysis previews the President's 2021 budget in five key areas, focusing on key questions about the forthcoming budget in each area:

1. **Health care: Will the budget provide information on the Administration's promised health care plan?** The Administration is urging the courts to strike down the Affordable Care Act (ACA), which would cause 20 million people to lose coverage, end the ACA's protections for people with pre-existing conditions, and make coverage less adequate for millions of people with employer plans or Medicare coverage. For months, the Administration has said it has a plan for Americans' health coverage if the lawsuit succeeds. The budget provides the White House an opportunity to lay out such a plan. Will it do so and, if it does, how will its proposal affect the uninsured rate and the affordability and quality of coverage?
2. **Programs that meet families' basic needs: Will the budget include harsh cuts in low-income programs?** All three previous Trump budgets have targeted benefits and services for households of modest means for deep cuts, even as the President has supported tax cuts that deliver large benefits to those at the top of the income scale. Last year's budget, for example, proposed substantial cuts in SNAP (formerly food stamps), housing assistance, and basic income assistance for families with children and people with disabilities, among other programs.
3. **Non-defense discretionary funding: Will the Administration propose deep cuts over the coming decade in non-defense programs funded through annual appropriations?** As part of last year's bipartisan budget agreement (the 2019 Bipartisan Budget Act), the President and Congress agreed to overall 2021 funding levels for defense and non-defense discretionary (NDD) programs. Will the new budget adhere to the levels for 2021 that were agreed to last year? Even if the President sticks with those overall funding levels, he is likely to propose large NDD cuts in subsequent years. All three of his previous budgets have cut

NDD by more than 40 percent in inflation-adjusted terms by the end of their ten-year budget windows.

4. **Infrastructure: Will the budget propose a significant net increase in infrastructure funding?** Last year's budget claimed to support at least $1 trillion in infrastructure investment, but that number masked net *cuts* in federal infrastructure funding in the long run, while shifting costs to states, cities, and the private sector. The budget would have cut infrastructure investment through the Highway Trust Fund by growing amounts over time.
5. **Income and racial disparities: Will the budget's combination of tax cuts and program changes widen income inequality and racial disparities?** If this year's budget follows last year's and calls for permanently extending the 2017 tax law's cuts for individuals, including the large tax cuts for high-income filers, even as it proposes cuts in health care and basic assistance for those of limited means, it will increase income disparities and widen inequality across racial and ethnic lines.

1. Health Care

The Administration, along with 18 state attorneys general, is urging the courts to strike down the entire ACA. For months, the Administration has promised that it has a plan for Americans' health care if the lawsuit succeeds. The President has also pledged to pursue ACA repeal legislation in 2021 if Republicans control Congress, regardless of whether the ACA is overturned in court.[1]

The President's budget is his chance to lay out his health plan, which can then be tested against his promises. Will the budget offer proposals to expand access to affordable coverage and protect people with pre-existing conditions, as the President has repeatedly said he would do?[2] Or, like past budgets, will its health plan call for:

- Eliminating the ACA Medicaid expansion and premium tax credits and replacing them with a structurally flawed, underfunded block grant, likely causing millions of people to become uninsured over time;
- Altering Medicaid in fundamental ways and reducing federal Medicaid funding available to cover lower-income seniors, people with disabilities, and families with children — resulting in additional coverage losses and likely making it harder for many people with Medicaid to access health care they need; and
- Eliminating nationwide prohibitions against discrimination based on pre-existing conditions, as well as requirements for plans to cover essential health benefits like maternity coverage, prescription drugs, and substance use treatment?

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[1] See, for example, President's Trump's April 1, 2019 tweets, https://twitter.com/realDonaldTrump/status/1112906931868520452; Rebecca Klar, "Trump Says He Will Roll Out New Health Care Plan in Next Couple of Months," *The Hill,* June 16, 2019; and "Remarks by President Trump at Signing of an Executive Order Protecting and Improving Medicare for Our Nation's Seniors," October 3, 2019.

[2] See, for example, the President's comments in the State of the Union, in which he stated, "I have also made an ironclad pledge to American families: We will always protect patients with pre-existing conditions."

If the Administration's budget does *not* include a health care plan, what will remain is the Administration's effort to persuade the courts to strike down the ACA. If the courts side with the Administration, that would:

- Cause 20 million people to become uninsured, primarily by eliminating the ACA's expansion of Medicaid to low-income adults and its financial assistance for individual market coverage;
- End protections for people with pre-existing conditions who purchase individual market coverage, by allowing insurers once again to deny them coverage or charge them higher premiums;
- End various protections for people with employer coverage by allowing insurers to again impose annual and lifetime limits on benefits, and by ending the requirements that insurers cap beneficiaries' total out-of-pocket costs and allow young adults to stay on their parents' plans;
- Disrupt Medicare and Medicaid, since striking down the ACA would abruptly change how Medicare pays plans, hospitals, and physicians and how Medicaid determines eligibility for most children and non-elderly adults; and
- Cause a large-scale transfer of resources from low- and moderate-income Americans, many of whom would lose health coverage and financial assistance, to high-income households, who would receive large tax cuts due to the elimination of the ACA's revenue-raising measures. Households with incomes over $1 million would receive tax cuts averaging about $46,000 apiece.[3]

Other health policies in the forthcoming Trump budget, as well, should be evaluated in light of the Administration's stance in the ACA lawsuit and its budgetary proposals regarding major health programs. For example, based on the President's comments in the State of the Union, the budget may tout proposals to address the opioid epidemic. But it may also propose to end the ACA's Medicaid expansion, which has greatly expanded access to substance use treatment.

2. Programs That Meet Families' Basic Needs

All three previous Trump budgets have proposed large cuts in benefits and services for low- and moderate-income families. Last year's budget[4] proposed:

- Cutting SNAP benefits by $220 billion (about 30 percent) over ten years;
- Cutting basic assistance for some people with disabilities that's provided through Social Security Disability Insurance and Supplemental Security Income;

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[3] Aviva Aron-Dine, Chye-Ching Huang, and Samantha Washington, "ACA Lawsuit Would Cut Taxes for the Most Well-Off While Ending Health Coverage for Millions," Center on Budget and Policy Priorities, November 4, 2019, https://www.cbpp.org/research/health/aca-lawsuit-would-cut-taxes-for-the-most-well-off-while-ending-health-coverage-for.

[4] Paul Van de Water, Joel Friedman, and Sharon Parrott, "2020 Trump Budget: A Disturbing Vision," CBPP, March 11, 2019, https://www.cbpp.org/research/federal-budget/2020-trump-budget-a-disturbing-vision.

- Reducing support for families with children experiencing poverty by cutting the Temporary Assistance for Needy Families (TANF) program by $22 billion over ten years;
- Eliminating the Social Services Block Grant, which provides flexible funding to states for services such as child care, day programs for seniors and people with disabilities, and services for homeless individuals and families; and
- Cutting funding for public housing 60 percent below its 2019 level, while also eliminating housing vouchers for 140,000 low-income households and eliminating the National Housing Trust Fund as well as the HOME Investment Partnerships, Community Development Block Grant, and Choice Neighborhoods programs.

It may be noted that after failing to secure such changes through legislation, the Administration increasingly has looked to the regulatory process to achieve these goals. Over the past year, for instance, the Administration has proposed or finalized three SNAP rules that, by its own estimates, would end basic food assistance benefits for 3 to 4 million people and shrink them for about 6 to 7 million others. In housing, it has issued rules that would weaken community efforts to enable households to secure housing free from discrimination, while making it much harder to fight local housing policies that restrict housing access. In addition, it has proposed a rule that could cause tens of thousands of disability beneficiaries, particularly older workers with limited skills and education, to lose their benefits, and it reportedly is drafting a new rule that would make it more difficult for such workers to be approved for disability benefits in the first place. If these rules take effect, they will increase poverty and hardship and leave many Americans unprotected, or more weakly protected, from discriminatory practices.

Paid Family Leave

Since the three previous Trump budgets have all included a proposal to provide paid parental leave through state unemployment insurance (UI) programs, that proposal may re-appear in the 2021 budget. The proposal has sizeable coverage gaps, as it would:

- Cover only new parents (after the birth or adoption of a child), leaving out workers who need leave to address serious health problems of their own or to care for a loved one. The people left out make up the substantial majority of workers who take unpaid leave under the existing Family and Medical Leave Act;
- Cover six weeks of leave, well short of the 12 weeks in the Family and Medical Leave Act or the paid leave programs that several states offer;
- Leave states to figure out how to pay for and administer the benefits using their already stressed UI programs, and thus potentially placing adequate resources for unemployed workers at some risk;
- Leave out many workers as a result of many states' restrictive UI eligibility rules, including many women and low-wage workers who are among the individuals who most need paid leave;
- Pay benefits at a low level — potentially as low as $116 per week in some states — with the result that many families would have difficulty affording to take leave; and
- Produce stark disparities across states in the size of paid-leave benefits and the scope of coverage.

At the State of the Union, President Trump also endorsed what he called a "paid family leave" bill before Congress, but the proposal offers a loan, not leave. It would advance the Child Tax Credit to new parents but require them to repay those benefits later. It would also leave out workers facing serious illnesses of their own or a need to care for loved ones who are ill, and provide no job protection for workers who take leave.

Sources: Martha Coven, "Trump's Parental Leave Plan: Pitting the Unemployed against Working Families," Center for Law and Social Policy, June 2017, https://www.clasp.org/sites/default/files/publications/2017/08/Trumps-Parental-Leave-Plan.pdf; Kathleen Romig, "'Paid Family Leave' Bill Offers Loan, Not Leave," Center on Budget and Policy Priorities,, December 6, 2019, https://www.cbpp.org/research/federal-tax/cassidy-sinema-paid-family-leave-proposal-offers-loan-not-leave.

3. Non-Defense Discretionary Programs

Presidents' budgets typically include for the budget year detailed funding proposals for defense and non-defense discretionary (NDD) programs, which are funded through the annual appropriations process, and the Trump budget is expected to include such plans for 2021. NDD programs encompass a wide range of activities — from education to environmental protection, low-income housing assistance, national parks, international affairs, and scientific research.[5]

Overall funding levels for defense and NDD programs for 2020 and 2021 were set in last year's bipartisan budget agreement (the Bipartisan Budget Act of 2019), which eliminated the threat of damaging cuts that would have been triggered under sequestration and other provisions of the 2011 Budget Control Act (BCA). That 2019 agreement set the 2020 NDD funding cap $24.5 billion

[5] "Policy Basics: Non-Defense Discretionary Programs," CBPP, updated August 12, 2019, https://www.cbpp.org/research/federal-budget/policy-basics-non-defense-discretionary-programs.

above the 2019 enacted level (before adjusting for inflation), allowing for increased investments in areas such as the decennial census, veterans' health, child care, and Head Start.

The 2021 NDD cap is $5 billion above the 2020 cap, and there likely will be additional room under the cap (roughly $6 billion more), since the needs of the Census Bureau decline after the decennial census and because fee income from federal mortgage insurance agencies (which offsets appropriated funds) is expected to grow. But the rising cost of veterans' medical care will likely consume most or all of these additional funds, leaving little or no room for increases for other programs. Indeed, after adjusting for inflation, non-defense discretionary programs outside the Census Bureau and veterans' health care actually will face a cut of about 2½ percent.[6]

The Administration has not yet indicated whether its proposed NDD funding for 2021 will be consistent with the Bipartisan Budget Act or be below the agreed-upon 2021 level. Even if the President sticks with the agreement for 2021, he is very likely to propose sharp NDD cuts in subsequent years. All three of his previous budgets have cut NDD by more than 40 percent in inflation-adjusted terms by the end of their ten-year budget windows.

Despite last year's bipartisan agreement on the discretionary funding totals for 2020 and 2021, NDD spending, at 3.2 percent of GDP in 2020, remains low by historical standards. Indeed, that figure is near the lowest level on record, with data back to 1962.

Substantially shrinking NDD funding over the coming decade, as the President has proposed in previous budgets, would result in even steeper cuts to many NDD programs than the topline figures might suggest, since the Administration and Congress would likely protect programs such as veterans' health care from the cuts. Veterans' health care has grown by 48 percent between 2010 and 2020 in inflation-adjusted terms, while all other NDD funding has shrunk by 4 percent over that period in inflation-adjusted terms. Veterans' health care accounts for one-eighth of all NDD funding in 2020 and is expected to continue growing significantly, due to factors such as rising costs of medical care and measures to improve access to care provided outside Department of Veterans Affairs facilities.

4. Infrastructure

Last year's Trump budget claimed to support at least $1 trillion in infrastructure investment.[7] That number, however, masked proposed net *cuts* in federal infrastructure funding in the long run, while shifting costs to states, cities, and the private sector. Last year's budget called for:

- **Shrinking investment through the Highway Trust Fund over time.** The federal government spends about $56 billion each year on highways and public transit through the Highway Trust Fund (HTF), the bulk of which is funded by excise taxes on gasoline and other fuels. The Congressional Budget Office projects that the combination of these tax revenues and current trust-fund balances will be insufficient to cover current levels of HTF spending starting in 2021, primarily because inflation and improved gas mileage are eroding the value of

[6] Richard Kogan, David Reich, and Jennifer Beltrán, "Non-Defense Programs Face Tight Funding in 2021," CBPP, February 6, 2020, https://www.cbpp.org/research/federal-budget/non-defense-programs-face-tight-funding-in-2021.

[7] "Infrastructure: 2020 Budget Fact Sheet," Executive Office of the President of the United States, March 2019, https://www.whitehouse.gov/wp-content/uploads/2019/03/FY20-Fact-Sheet_Infrastructure_FINAL.pdf.

the gas tax, which hasn't been increased since 1993. Last year the President's budget broke with the bipartisan practice of supplementing the HTF with general revenues, proposing instead that the HTF spend no more in a given year than it could cover with current trust fund balances and the dedicated excise-tax revenues it's projected to receive. Repeating that policy in the new budget would cut HTF spending over the 2022-2030 period by $188 billion.[8]

- **Cutting other programs and agencies that fund infrastructure**, including mass transit, the Federal Highway Administration budget, and new Army Corps of Engineer projects. Last year's budget also called for eliminating the Department of Housing and Urban Development's main programs to build and renovate affordable housing.
- **Shifting costs to states, cities, and the private sector.** The core of the infrastructure plan in last year's budget was $200 billion in "new" federal funds, which the budget claimed would support up to $1 trillion in new infrastructure spending. This meant that states, localities, and the private sector would have to provide the other $800 billion.

The Administration's infrastructure proposal potentially has more relevance this year, as the Highway Trust Fund will face the first in a series of deadlines this fall, and the Administration and Congress must act to prevent a sharp drop in infrastructure spending that's financed through the trust fund.[9]

5. Income and Racial Disparities

The 2017 tax law, the Administration's signature economic policy to date, will deliver roughly $2 trillion in tax cuts over its first ten years of implementation.[10] These tax cuts are tilted heavily towards the top end of the income scale, despite increased inequality and decades of low or stagnant growth in real (inflation-adjusted) wages. This year's Trump budget will likely follow last year's in calling for permanently extending the 2017 law's individual tax-cut provisions scheduled to expire at the end of 2025, which would cement its worsening of income inequality. Making those provisions permanent would boost the after-tax incomes of the top 1 percent of households by an average of $40,180 or 2.0 percent, nearly twice the average tax cut of $480 or 1.1 percent gain for the bottom 60 percent of households.[11]

The Administration reportedly is also preparing a new tax cut proposal ("Tax 2.0."), which Treasury Secretary Steven Mnuchin has said will include "incentives to stimulate economic

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8 "Highway Trust Fund Accounts – CBO's January 2020 Baseline," Congressional Budget Office, January 2020, https://www.cbo.gov/system/files/2020-01/51300-2020-01-highwaytrustfund.pdf.

9 The Highway Trust Fund's spending and contract authorities expire on September 30, 2020. See "Overview of Selected Provisions and Options Relating to Funding and Financing Infrastructure Investments," Joint Committee on Taxation, January 27, 2020, https://www.jct.gov/publications.html?func=startdown&id=5243

10 Chuck Marr, "CBO Forecast of Weak Revenues Under Trump Policies Shows Impact of 2017 Tax Law," CBPP, May 24, 2018, https://www.cbpp.org/blog/cbo-forecast-of-weak-revenues-under-trump-policies-shows-impact-of-2017-tax-law.

11 Chuck Marr and Brendan Duke, "New House Republican Tax Proposal Fails Fiscal Responsibility Test, While Favoring the Wealthiest," CBPP, September 13, 2018, https://www.cbpp.org/research/federal-tax/new-house-republican-tax-proposal-fails-fiscal-responsibility-test-while.

growth,"[12] language that in the past has often been used to promote tax-cut measures oriented toward those on the upper rungs of the income ladder and large corporations.[13] But the Administration isn't expected to unveil the details of Tax 2.0 until later this year, and that proposal isn't expected to appear in the Administration's new budget.

Cutting programs and services for low- and moderate-income families while reducing taxes for the most well-off widens inequality, including across racial and ethnic lines. For many reasons, including ongoing employment discrimination, inadequate (and often quite unequal) investment in education in racially segregated communities, and other historical and contemporary factors, Black and Hispanic households tend to be paid lower wages and have far less wealth than white households.[14] In 2018, the poverty rates for Black individuals and Hispanic individuals stood at 20.4 percent and 20.3 percent, respectively, using the government's Supplemental Poverty Measure, compared to 8.7 percent for white individuals.[15] In addition, median (or typical) net worth in 2016 was $17,100 for Black households and $20,600 for Hispanic households, compared to $171,000 for white households.[16]

Due to disparities in income and wealth, Black and Hispanic households are likelier to need food assistance through SNAP and health coverage through Medicaid than white households, and cutting those programs would hurt these communities disproportionately. Meanwhile, the biggest winners from the 2017 tax law were affluent white households in the top 1 percent, who are receiving more tax-cut dollars from the 2017 law than the bottom 60 percent of households of all races combined.[17]

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[12] Andrew Soergel, "Steven Mnuchin Confirms Trump's New Tax Plan Is Imminent," *U.S. News & World Report*, January 23, 2020, https://www.usnews.com/news/economy/articles/2020-01-23/trumps-new-tax-plan-is-imminent-steven-mnuchin-confirms.

[13] "Tax Cuts for the Rich Aren't an Economic Panacea – and Could Hurt Growth," CBPP, updated October 10, 2017, https://www.cbpp.org/research/federal-tax/tax-cuts-for-the-rich-arent-an-economic-panacea-and-could-hurt-growth.

[14] Black and white households refer to non-Hispanic Black and non-Hispanic white households.

[15] Liana Fox, "The Supplemental Poverty Measure: 2018," U.S. Census Bureau, October 7, 2019, Figure 3, https://www.census.gov/library/publications/2019/demo/p60-268.html.

[16] U.S. Federal Reserve Board, Historic Tables and Charts – Tables Based on Internal Data – Estimates Inflation Adjusted to 2016 Dollars, Table 4, https://www.federalreserve.gov/econres/files/scf2016_tables_internal_real_historical.xlsx.

[17] Roderick Taylor, "ITEP-Prosperity Now: 2017 Tax Law Gives White Households in Top 1% More Than All Races in Bottom 60%," CBPP, October 11, 2018, https://www.cbpp.org/blog/itep-prosperity-now-2017-tax-law-gives-white-households-in-top-1-more-than-all-races-in-bottom.