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Statement by Robert Greenstein, President, On Chairman Ryan's Budget Plan

When House Budget Committee Chairman Paul Ryan released his previous budget last year, I wrote that for most of the past half century, its extreme nature would have put it outside the bounds of mainstream discussion. It was, I wrote, “Robin Hood in reverse — on steroids,” because it would have produced the largest redistribution of income from bottom to top in modern U.S. history. Ryan’s new budget is just as extreme. Its cuts in programs for low-income and vulnerable Americans appear as massive as in last year’s budget, and its tax cuts for the wealthiest Americans could be larger than in last year’s.

In addition, in critical ways the budget is exceedingly vague — and, as a result, its claim to reach balance in ten years is hard to take seriously. It leaves unspecified hundreds of billions of dollars in budget cuts as well as the several trillion dollars of needed tax expenditure savings to pay for its proposed deep cuts in income tax rates. Thus, the budget’s fiscal claims rest on massive magic asterisks.

Consider the following:

Taxes

Last year, Ryan proposed to cut the top individual and corporate income tax rates from 35 to 25 percent, to cut other tax rates, and to eliminate the Alternative Minimum Tax (AMT). At the time, the Tax Policy Center estimated that these tax cuts would cost more than \$4 trillion over ten years. Since last year, however, the American Taxpayer Relief Act has returned the top individual tax rate to 39.6 percent, adding at least another \$400 billion to the cost now of cutting the top individual tax rate to Ryan’s goal of 25 percent. Yet, the Ryan budget says that, somehow, the large cost of cutting the top rate to this level, cutting other rates as well, and eliminating the AMT would add *nothing* to the deficit. In essence, it uses a huge magic asterisk, assuming policymakers will finance the entire cost of cutting tax rates and eliminating the AMT by curbing tax expenditures — without identifying a single tax expenditure to narrow or close.

Governor Romney adopted a similar approach in his presidential campaign, arguing that he would use unspecified tax expenditure savings to offset the cost of cutting the top income tax rate from 35 percent to 28 percent, or by 7 percentage points. Analysis by the Tax Policy Center indicated that Romney could not do that without raising taxes on middle class and working poor Americans. Yet now, Ryan proposes to cut the top rate by as much as 14.6 percentage points, or more than twice as much as Romney proposed, while still claiming to finance it through tax expenditure reforms that policymakers would identify later.

Health Care

Ryan again proposes to repeal the coverage expansions in health reform (i.e., the Affordable Care Act or ACA) and cut Medicaid (and some smaller health programs) another \$810 billion on top of that. These two steps would cut over \$2.5 trillion, largely by greatly boosting the number of low- and moderate-income Americans who are uninsured.

Last year, the Urban Institute estimated that a very similar Medicaid block grant proposal in Ryan's previous budget would result in 14 to 21 million individuals losing their Medicaid coverage by 2022. In addition, the Congressional Budget Office has estimated that the ACA's coverage expansions will mean that 27 million Americans who otherwise would be uninsured will gain coverage by 2023.

Thus, under the Ryan budget, 40 to 50 million more poor or moderate-income Americans would be uninsured, even as the wealthiest Americans enjoyed new tax cuts.

As in his prior budgets, Ryan proposes to replace Medicare's guarantee of health coverage with a flat premium-support payment, or voucher, that beneficiaries could use to purchase either private health insurance or a version of traditional Medicare. Premium support would apply to all new beneficiaries starting in 2024 and to all other beneficiaries who chose to participate. Over time, premium support would significantly raise out-of-pocket health costs for many Medicare beneficiaries.

Over the 2013 to 2023 period, the Ryan budget would cut Medicare spending by a total of \$356 billion. His budget would save \$129 billion compared to current law from limiting medical malpractice awards, increasing income-tested premiums, and repealing the Medicare benefit improvements in health reform, including closure of the prescription drug "donut hole." Ryan's baseline includes \$138 billion in scheduled cuts from Medicare's sustainable growth rate formula for physicians and \$89 billion in Medicare cuts from sequestration, bringing his total Medicare reductions to the aforementioned \$356 billion.

Massive Cuts in Other Domestic Programs — with Deep Cuts Targeting the Poorest And Most Vulnerable Americans

Ryan's budget document makes clear that he again proposes severe cuts in Pell Grants to help low-income students afford college and in SNAP (formerly food stamps). He would freeze the maximum Pell Grant for 10 years, cancelling increases scheduled in law that are designed to keep up with inflation through 2017. Consequently, the maximum Pell Grant would fall substantially in purchasing power, and the budget would cut Pell Grants in other ways as well. In addition, the budget again proposes to cut SNAP substantially and replace it with a block grant at lower funding levels.

More generally, the document contains a stunning — and deeply disturbing — figure. It shows that the budget would cut mandatory programs *other than* Social Security, health care programs, civil service pensions, farm programs, and interest payments by about \$800 billion over ten years, relative to current law. This figure is alarming, since 70 percent of the spending in this budget category goes for programs for the needy and disadvantaged. Programs in the category, from which the \$800 billion in cuts would come, include:

- Pell Grants;
- SNAP;
- The Supplemental Security Income program (SSI) for the aged and disabled poor;
- School lunches and other child nutrition programs;
- The Earned Income Tax Credit and the low-income component of the Child Tax Credit; and
- Temporary Assistance for Needy Families.

Ryan's new budget, like last year's, apparently seeks to camouflage the severity of many of its cuts in programs for the needy by leaving most of this \$800 billion in cuts unspecified. The budget math shows, however, that most of these cuts likely would come from benefits and services for the least fortunate Americans.

Non-Defense Discretionary Programs and Defense

The Ryan budget effectively cancels the “sequestration” cuts in defense for all years starting in 2014 — while cutting non-defense programs substantially *below* sequestration levels.

If one starts from *post*-sequestration funding levels, as Ryan's budget documents do, his budget increases defense funding by about \$550 billion over ten years while cutting non-defense discretionary programs by about \$700 billion.

But many budget analysts, including ourselves and the Committee for a Responsible Federal Budget, prefer to measure budgetary changes from a *pre*-sequestration level. Doing so shows the budgetary changes that are needed to replace sequestration — which both parties say they favor — and still hit a given fiscal target.

Measured this way, the Ryan budget cuts non-defense discretionary (NDD) spending *by more than \$1 trillion below the level of the 2011 Budget Control Act caps*. Yet those caps already reduce spending in this category to its *lowest level on record as a share of GDP*, with data back to 1962. Moreover, Ryan's budget leaves most of these NDD cuts unspecified. He does not even assign them to broad budget categories such as education, transportation, natural resources, veterans, or law enforcement but, instead, leaves them as a big lump sum of unspecified cuts.

Cutting NDD this deeply will invariably have serious effects on:

- investments that can boost future productivity growth such as in education, infrastructure, and basic research;
- low-income families and individuals, since one-quarter of NDD funding goes for programs such as Head Start, WIC, child care, homelessness prevention, services for frail elderly and disabled people, low-income housing, Title I education, and the like; and
- state and local governments, since one-quarter of NDD funding goes to those governments to help them perform various functions.

A Display of Courage?

Chairman Ryan has at times received praise for having the courage to propose these policies. In reality, this budget reflects more of a lack of courage than an abundance of it.

Is it courageous to propose tax cuts but not identify a single tax expenditure to rein in? Is it courageous to target your deepest cuts on the poorest Americans, who vote in lower numbers and provide little in campaign contributions? Is it courageous to camouflage hundreds of billions in cuts for the poor and disadvantaged in broad budget categories without identifying the programmatic cuts, so that analysts, journalists, and other policymakers can't identify the specific cuts and assess their impacts?

What stands out, above all else, is Chairman Ryan's unwillingness to propose anything that would upset his party's base of supporters or, in particular, its ideological opposition to any revenue increases.

Paul Ryan is a smart and engaging individual. But, make no mistake: his budget is extreme. And, in its reverse Robin Hood policies, its ideological rigidity, and its calculated vagueness, it sadly reflects some of the worst features of American politics at this crucial time.