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March 5, 2020

## Trump Budget Seeks Deep Non-Defense Appropriations Cuts, in Break With Bipartisan Agreement

By David Reich and Jennifer Beltrán

The Trump Administration’s 2021 budget calls for major new cuts in programs funded through non-defense appropriations. This budget category, often called non-defense discretionary (NDD), supports veterans’ medical care, aid to education, environmental protection, low-income housing, scientific research, infrastructure, public health, national parks, justice and law enforcement, job training, and many other important services and investments.<sup>1</sup>

The budget abandons the bipartisan agreement reached last year that provided a modest \$5 billion (0.8 percent) increase for this category in 2021, and instead calls for cutting NDD funding \$46 billion below its 2020 level<sup>2</sup> — a 7 percent overall reduction (9 percent after adjusting for inflation). This reduction is spread throughout most non-defense agencies, with proposed inflation-adjusted cuts of 28 percent for the Environmental Protection Agency, 17 percent for the Department of Housing and Urban Development, 15 percent for the Department of Transportation, 11 percent for the Department of Health and Human Services, and 10 percent for the Department of Education, to give just a few examples.

The budget also envisions ever-deeper NDD cuts in years after 2021, reaching 38 percent in inflation-adjusted terms by 2030. Cuts of this magnitude would necessarily mean a major scaling back in most activities funded through NDD appropriations. Measured relative to the Administration’s projected size of the economy, NDD spending would be well below the lowest level on record back to 1962 (see Figure 1) — and likely back to the late 1920s, we estimate.

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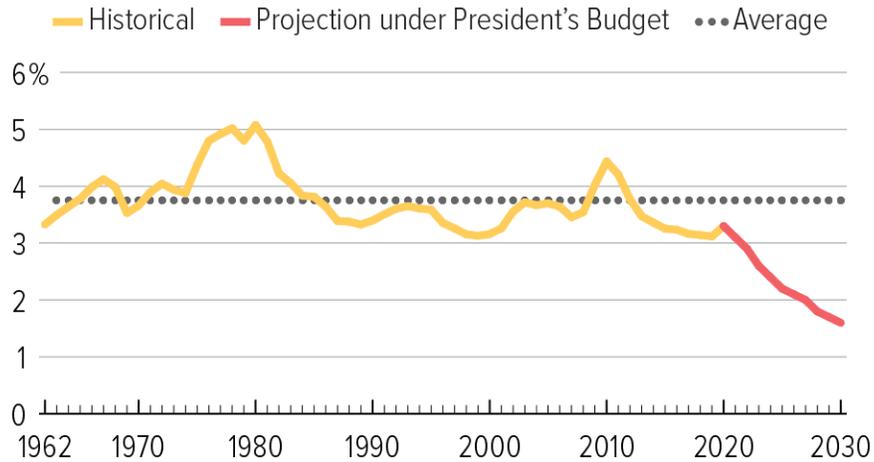
<sup>1</sup> See CBPP, “Policy Basics: Non-Defense Discretionary Programs,” updated August 12, 2019, <https://www.cbpp.org/research/federal-budget/policy-basics-non-defense-discretionary-programs>. These programs are called “discretionary” because policymakers have the legal discretion to decide their funding levels each year through the appropriations process.

<sup>2</sup> In this paper, dollar amounts given are in nominal terms (that is, not adjusted for inflation) unless specified otherwise.

FIGURE 1

## Trump Budget Would Cut Non-Defense Discretionary Spending to Record Low

Spending as a percent of Gross Domestic Product (GDP)



Note: Available data go back to 1962.

Source: Office of Management and Budget

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## Trump Budget Walks Away From Last Year's Bipartisan Agreement

Last July, Congress and the President reached agreement on topline levels for defense and non-defense appropriations for 2020 and 2021. The resulting Bipartisan Budget Act of 2019 — the fourth in a series of two-year budget agreements — superseded the deep cuts in both defense and non-defense funding that the Budget Control Act of 2011 (BCA) would have otherwise imposed. It also was expected to facilitate action on 2020 and 2021 appropriations by settling disagreements about funding totals.

Less than seven months later, President Trump's new budget walks away from this agreement, instead calling for 2021 non-defense appropriations levels that are roughly \$51 billion lower than he agreed to. It does so in three ways:

- It cuts 2021 base NDD funding \$36.5 billion below the \$626.5 billion level specified in last year's agreement.<sup>3</sup>

<sup>3</sup> While the \$626.5 billion is technically a cap, ever since the Budget Control Act of 2011 took effect appropriations have consistently been enacted at, not below, the caps.

- It eliminates the \$8 billion in non-defense overseas contingency operations (OCO) funding specified in the agreement.<sup>4</sup>
- It reduces by almost \$7 billion the amount of savings in another category of programs — mandatory programs — that can be used to offset NDD program increases.<sup>5</sup>

In contrast, the Administration’s budget fully adheres to the agreement’s funding levels for defense appropriations, proposing no reductions whatsoever in the agreed-upon amounts.

## 2021 NDD Funding Cut Well Below Current Levels

NDD funding for 2021 will be quite tight even under the agreed upon funding level in last year’s budget agreement, which set NDD funding for 2021 just \$5 billion (0.8 percent) above the 2020 level.<sup>6</sup> The new Trump budget would not only eliminate that small increase but would cut funding by an additional \$46 billion below its 2020 level. Adjusted for inflation, the overall reduction below 2020 is 9 percent — and considerably larger for many agencies and programs since this total would have to accommodate the various increases included in the Trump budget.

In particular, within its shrunken NDD total the Administration’s budget proposes an \$11.5 billion increase for veterans’ medical care — an increase likely to receive widespread support because of the importance of the services it funds. This is by far the largest program receiving NDD funding, accounting for one-eighth of the total. Its costs have been growing rapidly in recent years, reflecting rising health care costs in general along with efforts to improve care at Department of Veterans Affairs facilities and recent legislation expanding access to care at non-federal facilities. The cost of meeting these needs within the Administration’s budget totals increases the strain on other programs within the NDD category.

The debate over the 2021 budget follows a ten-year squeeze on NDD funding, reflecting deep cuts in 2011 and those taking effect beginning in 2012 under the BCA’s caps. After the NDD budget reached a low point in 2013, following the imposition of “sequestration” cuts, Congress and the President agreed to a series of amendments to the BCA that scaled back those cuts to varying degrees. While overall NDD funding in 2020 is roughly equal to the 2010 level in inflation-adjusted terms, it reflects the net effect of a 48 percent increase for veterans’ medical care combined with a 4 percent reduction for all other NDD programs.<sup>7</sup>

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<sup>4</sup> Non-defense OCO funding goes to the State Department and related agencies for purposes such as security at overseas diplomatic facilities, peacekeeping operations, and disaster assistance, thus reducing the need for regular appropriations for these purposes. For OCO, the 2019 Bipartisan Budget Act states that appropriations “will be” at the specified levels.

<sup>5</sup> These offsets are known as changes in mandatory programs made in appropriations bills, or “CHIMPs.” The Bipartisan Budget Agreement sets a 2021 limit that applies to almost all CHIMP savings and which is the same as the 2020 level.

<sup>6</sup> For a discussion of 2020 results and the outlook for 2021 under current law, see 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>.

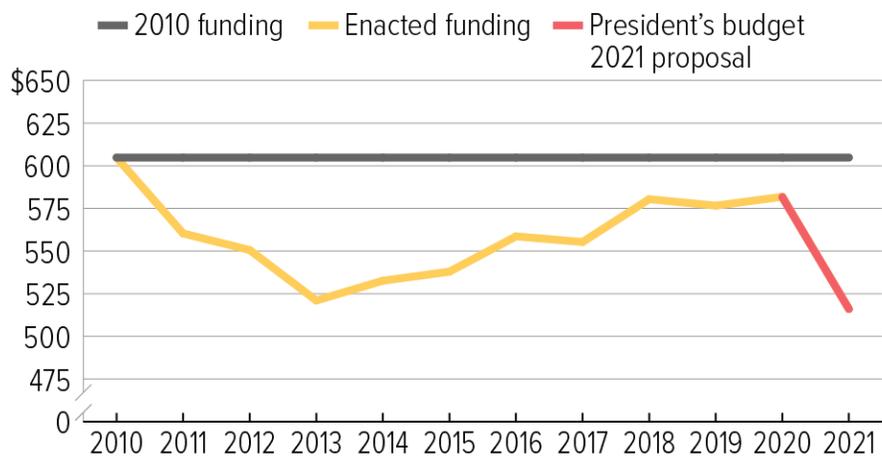
<sup>7</sup> Comparisons to 2010 in this paragraph and the next include OCO and funding outside the caps for program integrity and wildfire suppression, and exclude offsets from changes in mandatory programs, mortgage insurance receipts, census funding, and veterans’ health care. See the Appendix to Kogan, Reich, and Beltrán, *op. cit.*

The Trump budget for 2021 would bring overall NDD funding 8 percent below its 2010 level after adjusting for inflation. That total reflects a 65 percent increase for veterans’ medical care, and a 15 percent cut in the rest of NDD. (See Figure 2.) The “rest of NDD” category would be lower than at any point since enactment of the BCA in 2011, including after the 2013 sequestration cuts, under the President’s proposals.

FIGURE 2

## Trump Budget Would Significantly Cut Non-Defense Discretionary Funding Outside Veterans’ Health

In billions of 2021 dollars



Note: Amounts include overseas contingency operations, program integrity, and wildfire suppression; amounts exclude veterans’ health, Census, and savings from mandatory programs and housing receipts.

Source: CBPP analysis of data from the Office of Management Budget, Congressional Budget Office, and the Bipartisan Budget Agreement of 2019

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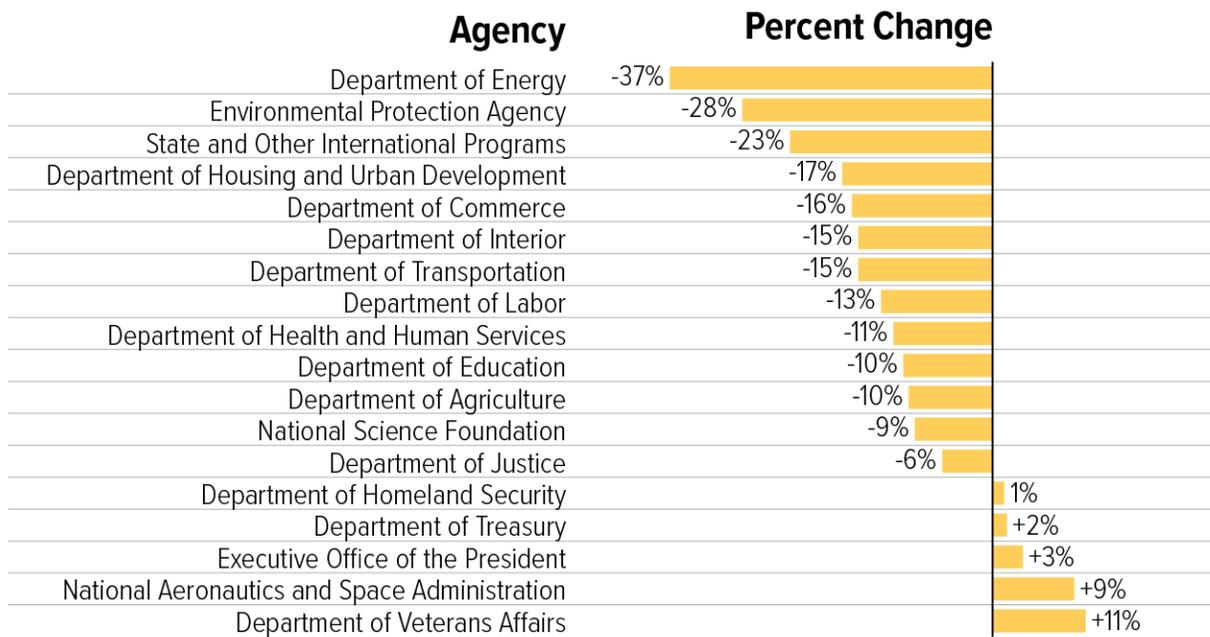
## Trump Budget Makes Steep Cuts to Many Key Programs and Services

The Trump budget spreads its NDD reductions broadly across most of the major agencies and functions of the federal government. (See Figure 3 for inflation-adjusted changes.) All but a few agencies see substantial net reductions under the Administration’s budget.

FIGURE 3

## Trump Budget Would Cut Broad Set of Public Services

Non-defense discretionary funding for various domestic agencies relative to 2020 enacted level (adjusted for inflation)



Note: Percentages include wildfire suppression, overseas contingency operations, and program integrity; percentages exclude mortgage insurance, Changes in Mandatory Programs (CHIMPS), and the periodic census account.

Source: Office of Management and Budget

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Following are some examples of the breadth of cuts in the President’s budget, reflecting the reductions in 2021 relative to 2020 enacted levels, without adjustment for inflation. (Note that the chart above, which considers overall funding for various agencies, does adjust for inflation.)

**Housing and other low-income assistance.** The Trump budget would cut public housing funding by \$3.2 billion (43 percent); eliminate funding for about 160,000 Housing Choice Vouchers that seniors, families with children, and others use to rent decent and affordable housing; and eliminate the Home Investment Partnerships, Community Development Block Grant, and Choice Neighborhoods programs, which provide flexible resources that communities use to build and rehabilitate affordable housing.<sup>8</sup>

In addition, the President’s budget would eliminate the Low Income Home Energy Assistance Program, which helps low-income families and senior citizens cope with high heating costs (\$3.7 billion in 2020), the Department of Energy’s weatherization assistance program (\$305 million in

<sup>8</sup> For more information on housing cuts, see Douglas Rice, “Budget Exposes Trump Administration’s Empty Rhetoric on Homelessness, Fair Housing,” Center on Budget and Policy Priorities, February 18, 2020, <https://www.cbpp.org/blog/budget-exposes-trump-administrations-empty-rhetoric-on-homelessness-fair-housing>.

2020), and the Community Services Block Grant, a flexible grant that helps nonprofit organizations provide services in low-income communities (\$740 million in 2020). It would also eliminate the Legal Services Corporation, which helps support civil legal services for people who could otherwise not afford them (\$440 million in 2020).

**Medical and scientific research.** The budget proposes cuts of at least \$3.1 billion (7 percent) for the National Institutes of Health, \$537 million (6 percent) for the National Science Foundation, \$1.2 billion (17 percent) for science programs at the Department of Energy, and \$316 million (30 percent) for the National Institute of Standards and Technology. NASA is one of few science agencies with a proposed increase (\$2.7 billion, or 12 percent).

**Infrastructure.** At the Transportation Department, the budget would eliminate the Highway Infrastructure Program (which received \$2.2 billion in 2020) and Transit Infrastructure Grants (\$510 million in 2020), both of which supplement funding available through the Surface Transportation Trust Funds. For the civil works program of the Army Corps of Engineers (which constructs, improves, and maintains waterways, dams, flood control systems, and harbors), the budget proposes an overall reduction of \$1.5 billion, or 20 percent. At the Environmental Protection Agency, the budget seeks a \$782 million (28 percent) cut to the Clean Water and Drinking Water State Revolving Loan Funds, which assist states and localities with the cost of wastewater treatment and drinking water systems.

**Financial aid for college students.** For Pell Grants, the federal government's principal need-based student financial aid program (other than loans), the Trump budget would freeze the maximum grant amount, with no increase to help offset rising college costs. In addition, it would eliminate Supplemental Educational Opportunity Grants, which provide a pool of funds to colleges that can be used for additional need-based aid (\$865 million in 2020), and would cut funding for work study assistance by more than half (from \$1.2 billion to \$500 million).

## Future NDD Funding Cut Steadily, to Historically Low Levels

For years after 2021, the Trump budget presents a vision of steadily deeper cuts to NDD, with funding in each year 2 percent lower than the last, for a total 22 percent cut in actual dollar terms compared to 2020. The plan makes no allowance for inflation, population growth, changing needs, or anything else. When adjusted for inflation, the cuts amount to 38 percent by the end of the decade.<sup>9</sup> (See Figure 4.)

Cuts of this magnitude would necessarily mean a major scaling back in most activities funded through NDD appropriations, such as education, scientific and medical research, infrastructure, housing and other low-income assistance, environmental protection, and job training, to give just some examples. However, the Trump budget provides no explanation for how to allocate its proposed post-2021 cuts. Instead, it generally flatlines each appropriations account at the 2021 level for each of the next nine years, and shows the further reductions required by its budget in a single

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<sup>9</sup> These estimates take into account changes in base NDD funding, OCO, and CHIMPs (assumed to remain at 2021 levels). They do not separate out changes in mortgage insurance receipts, census funding, or veterans' medical care costs, as there is no good basis for estimating those amounts in 2030 under the Trump budget.

lump sum “allowance.” By 2030 that allowance indicates that \$130 billion in additional cuts below the 2021 level will be needed to reach the budget’s target.

Perhaps the best way of putting the Trump budget into long-term perspective is to look at NDD spending relative to the size of the economy — that is, as a percentage of gross domestic product (GDP) — the traditional way of comparing broad budget levels over long periods of time. This approach provides a rough adjustment for increases in prices, growth of the population, and increases in living standards and capacity to meet national needs. Official data on this basis are available back to 1962. Over that period NDD spending has averaged 3.8 percent of GDP, with a low of 3.1 percent.<sup>10</sup>

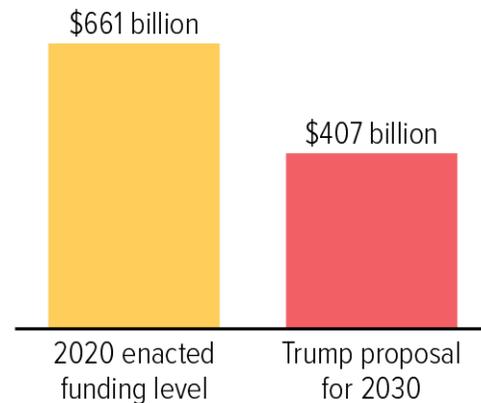
The Trump budget, however, would drive NDD spending down to *1.6 percent* of GDP by 2030, according to the Office of Management and Budget (OMB). As shown in Figure 1, that’s well below the historical low of 3.1 percent since 1962.<sup>11</sup> Our examination of older budget data suggests that this level hasn’t been seen since Calvin Coolidge was President in the late 1920s.

NDD spending is already low and can ill afford such dramatic cuts. For 2020 OMB estimates that NDD spending will equal 3.3 percent of GDP, well below the 3.8 percent average since 1962. The unprecedented shrinkage that the Trump Administration is calling for would devastate non-defense appropriations and the basic government services and investments that they support.

FIGURE 4

## Trump Budget Would Cut Non-Defense Discretionary Funding Over a Decade

In billions of 2021 dollars



Note: All amounts include Overseas Contingency Operations (OCO) funding (if any) and exclude savings resulting from changes in mandatory programs.

Source: CBPP analysis of data from the Congressional Budget Office and Office of Management and Budget

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<sup>10</sup> These percentages are based on actual expenditures (“outlays”) for appropriated programs in a given year because this is the basis used in the long-term historical data maintained by OMB. Outlays often occur in years after an appropriation is made. These spending figures include both amounts subject to the NDD caps and amounts outside the caps, such as for disasters and for all spending from the Highway Trust Fund. Because disaster funding can vary considerably from year to year, NDD outlays tend to spike after major disasters, such as Hurricanes Katrina and Harvey.

<sup>11</sup> One reason the percentage is so low is that the Trump Administration budget relies on very optimistic assumptions about economic growth, and a high estimate of GDP makes the estimate of spending as a percentage of GDP lower than it otherwise would be. But even using the Congressional Budget Office’s somewhat lower GDP estimates, NDD spending under the Trump budget would be about 1.8 percent of GDP in 2030, still extraordinarily low.