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Five Things to Look for in the 2020 Trump Budget

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The Trump Administration is expected to release its third budget on March 11, though it reportedly will not issue much of the detail supporting its proposals until one week later. Typically, an Administration's prior budgets are the best predictor of its upcoming budgets. The two Trump budgets so far have offered policies that would increase poverty, inequality, and the ranks of the uninsured while underfunding core public services and investments in areas important for long-term growth and proposing costly tax cuts tilted to the top.[1]

The President offered few policy details in this year's State of the Union address. He mentioned, for instance, proposals around infrastructure and paid family leave in which there is bipartisan interest, but without any specifics on how he plans to approach these matters. The Administration has provided the most detail regarding discretionary funding, the one area where the Administration and Congress must agree in order to avoid another government shutdown. Yet here the Administration has staked out an extreme position — severe cuts in non-defense discretionary (NDD) funding coupled with a significant defense increase funded with a massive budget gimmick — that Democrats are sure to reject and some Republicans find problematic as well.

This analysis previews the Trump 2020 budget in five areas:

- **How deeply will it cut NDD funding, and to what extent will it rely on a budget gimmick to fund defense?**

   Acting Office of Management and Budget Director Russ Vought recently wrote that the forthcoming budget will adhere to the funding caps on annual appropriations, as lowered by sequestration, that the 2011 Budget Control Act (BCA) set.[2] This would require cutting 2020 funding for NDD programs — a broad category that includes everything from education and veterans' medical to child care and international affairs — by $55 billion, or 9 percent, below the current level, and by $70 billion or 11 percent after adjusting for inflation. Vought also implied that the NDD cuts could be even deeper than that. At the same time, he indicated

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[1] CBPP, "Trump 2019 Budget Roundup," February 14, 2018, https://www.cbpp.org/blog/trump-2019-budget-roundup.

[2] Russ Vought, "Congress Must Join the President in Cutting Spending," RealClearPolitics, February 25, 2019, https://www.realclearpolitics.com/articles/2019/02/25/congress_must_join_the_president_in_cutting_spending_139568.html.

that the budget would increase defense funding, financed by using a very large budget gimmick to circumvent the defense cap that the BCA established.

- **Will the Trump budget retain proposals included in its budget of last year to repeal the Affordable Care Act (ACA) and deeply cut Medicaid?**

  Last year's Trump budget would have cut $763 billion over ten years from Medicaid and ACA subsidies for marketplace health coverage, primarily by repealing the ACA and imposing a per-capita cap on federal Medicaid funding. That would have caused millions of people to become uninsured and increased premiums or out-of-pocket costs or impeded access to health care for millions more.

- **Will the forthcoming budget stick with the same type of damaging cuts in other low-income programs as previous Trump budgets featured?**

  Each of the past two Trump budgets has targeted benefits and services for households of modest means for deep cuts, even as the President has supported tax cuts showering large new benefits on those at the top of the income scale. Last year's budget, for example, proposed substantial cuts in SNAP (formerly food stamps), low-income housing assistance, and basic income assistance for people with disabilities.

- **Will the budget repeat the tactic of pairing only modest new short-term funding for infrastructure with larger long-term infrastructure cuts?**

  Last year's Trump budget claimed to support up to $1.5 trillion in infrastructure investment, but that number was a mirage, masking net cuts in federal infrastructure funding in the long run while shifting costs to states, cities, and private individuals. The budget, for example, would have cut infrastructure investment through the Highway Trust Fund by growing amounts over time.

- **Will its combination of tax cuts and program changes, if enacted, increase income inequality and exacerbate racial disparities?**

  This year's budget will likely follow last year's and call for permanently extending the 2017 tax law's tax cuts for individuals, including those that showered large benefits on high-income households, while also proposing deep cuts in health care and basic assistance for those with low or moderate incomes.

To be sure, the large majority of the proposals in the President's budget will not be enacted, particularly since control of Congress is split between the two parties. But the President's budget remains significant, as it reflects the Administration's vision for America. The President's budget contains a roadmap to the types of policies that the Administration will seek to implement with the various tools at its disposal, including executive actions and regulatory changes, as well as through legislation. If this year's budget is broadly similar to those of the past two years, it will be a budget that would, if ultimately adopted, result in more poverty and uninsured individuals and greater disparities in income, wealth, and opportunity.

How Deeply Will the Budget Cut Non-Defense Funding, and to What Extent Will It Rely on a Budget Gimmick to Fund Its Defense Increases?

The Trump budget will cut funding for NDD programs — the part of the budget that funds, through annual appropriations, programs that range from education and veterans' medical care to environmental protection, low-income housing assistance, child care, national parks, and international affairs. The only question is how deep the proposed cuts will be. Acting Office of Management and Budget Director Russ Vought recently wrote that the budget would "adher[e] to the spending caps already set in law."[3] Sticking to the caps, which the BCA set and subsequently lowered through sequestration, would require cutting 2020 NDD funding by $55 billion, or 9 percent, below the current level — and by 11 percent (or $70 billion) after adjusting for inflation.

Vought wrote further that the budget will "meet the target of a 5 percent reduction to non-defense discretionary spending, by means of one of the largest spending reductions in history." The starting point for this 5 percent reduction is unclear, since adhering to the BCA's sequestration-lowered cap would already require more than a 5 percent cut from the 2019 funding level. If the President proposes cutting overall NDD funding 5 percent *below* the sequestration cap, the resulting funding level will be $82 billion, or 14 percent, below the 2019 level (and 16 percent below the 2019 level after adjusting for inflation). Moreover, if the budget follows the precedent of the previous Trump budgets, it will cut NDD even more deeply in years *after* 2020. Last year's budget, for instance, reduced NDD funding by a stunning 42 percent by the end of the decade in inflation-adjusted terms.[4]

The President's NDD cuts will likely be even deeper for most programs than these figures would imply, as policymakers will seek to protect certain programs from cuts, provide certain favored programs with increases, and meet essential governmental functions. In 2020, for instance, a $14 billion increase over 2019 levels will be needed to cover the cost of the 2020 decennial census and increased veterans' health care costs arising both from the recently enacted Mission Act, which expands options for health care outside of Veterans Affairs medical centers, and health care cost growth.

NDD faced a seven-year period of austerity from 2011 to 2017, during which it received about $400 billion less than the amounts needed simply to remain at the 2010 level adjusted for inflation. The 2018 Bipartisan Budget Act took an initial step to dig out from this extended period of retrenchment by canceling the sequestration reductions scheduled for 2018 and 2019 and allowing for some new investments in high-priority areas such as child care, infrastructure, substance use disorder prevention and treatment, low-income housing, environmental protection, and veterans' health care. Even with these increases, NDD funding in 2019 is still below the 2010 level adjusted for inflation, and equals just 3 percent of gross domestic product — close to the lowest level on record in data going back to 1976. And, significant unmet needs remain; for instance, significant amounts of basic infrastructure are decaying, only about 1 in 6 low-income children eligible for child

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[3] Vought.

[4] David Reich, "Trump Budget Would Cut Non-Defense Programs Deeply in 2019 and Beyond," CBPP, February 14, 2018, https://www.cbpp.org/research/federal-budget/trump-budget-would-cut-non-defense-programs-deeply-in-2019-and-beyond.

care assistance receive it, and only about 1 in 4 eligible low-income households receive any rental assistance.[5]

For defense as well, strict adherence to the BCA cap for 2020 would require steep cuts. But Vought's article made clear that the Administration will propose to circumvent the defense cap by providing additional defense funding *outside* the cap. The budget will rely on an outsized gimmick here; it is expected to dramatically increase in 2020 the amount of funding provided for Overseas Contingency Operations (OCO) — a budget category that was created to cover costs tied to the wars in areas such as Afghanistan and Iraq and that is *exempt* from the caps. The Administration would then effectively shift much or all of this increase in OCO funding to the core defense budget.

Press reports indicate that the budget will include $174 billion for OCO in 2020, *two-and-a-half times* the $69 billion enacted for OCO in 2019.[6] The net result of adhering to the defense funding cap but increasing OCO by $105 billion would be to raise overall defense funding by $34 billion or about 5 percent in 2020 — while at the same time cutting NDD funding by at least $55 billion.

To be sure, policymakers have on occasion used OCO funds in recent years to cover some costs not strictly associated with such overseas operations, but on nowhere near the massive scale that the Administration is about to propose.

Will the Budget Retain Proposals in Last Year's Budget to Repeal the ACA and Deeply Cut Medicaid?

A key question is whether the budget will set aside efforts to repeal the ACA and restructure and cut Medicaid or reaffirm the President's support for those policies. Last year's Trump budget would have cut $763 billion over ten years from Medicaid and ACA subsidies for marketplace coverage, primarily by repealing the ACA and imposing a per-capita cap on federal Medicaid funding.[7] That would have caused millions of people to become uninsured and increased premiums and out-of-pocket costs or otherwise impeded access to health care for millions more. Such policies could not pass the Democratic House and won't be enacted in the near term. By retaining them in his budget, however, the President would signal his continued commitment to them and his likely opposition to any Republican efforts to come to terms with the ACA and move on from repeal.

Last year's Trump budget proposal, modeled in the health care area on legislation introduced by Senators Bill Cassidy, Lindsey Graham, and Ron Johnson and former Senator Dean Heller, would have:

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[5] Sharon Parrott, Richard Kogan, and Roderick Taylor, "New Budget Deal Needed to Avert Cuts, Invest in National Priorities," CBPP, March 1, 2019, https://www.cbpp.org/research/federal-budget/new-budget-deal-needed-to-avert-cuts-invest-in-national-priorities.

[6] Kellie Mejdrich, "Trump Budget Chief Confirms Big Defense Boost, Nondefense Cuts," CQ News, February 25, 2019, https://plus.cq.com/doc/news-5468732?2&utm_medium=newsletter&utm_source=btmorning.

[7] Peggy Bailey *et al.,* "Health Proposals in President's Budget Would Reduce Health Insurance Coverage and Access to Care," CBPP, February 16, 2018, https://www.cbpp.org/research/health/health-proposals-in-presidents-budget-would-reduce-health-insurance-coverage-and.

- Eliminated the ACA's expansion of Medicaid to low-income adults and its subsidies that help lower-income people afford individual market coverage, replacing them with an underfunded and structurally flawed block grant to states.

- Ended the ACA's nationwide protections for people with pre-existing conditions, letting insurers go back to denying coverage or charging higher premiums based on health status and to excluding key benefits such as maternity care and prescription drugs.

- Imposed a per-capita cap on federal Medicaid funding for seniors, people with disabilities, and families with children, limiting funding irrespective of need and with the cap growing considerably more slowly than health care costs.

Paid Family Leave

The last two Trump budgets have included a proposal for paid parental leave, which President Trump also mentioned during his recent State of the Union address. But the controversial Trump proposal included in the last two budgets had notable drawbacks:

- It would have excluded the substantial majority of workers who take *unpaid* leave (under the Family and Medical Leave Act) to address their own serious health problems or to care for a loved one. It would have covered only new parents after the birth or adoption of a child.

- It would have covered only 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.

- It would have left states to figure out how to pay for and administer benefits, using their already stressed Unemployment Insurance (UI) programs, thus potentially harming unemployed workers. Moreover, it would have left out many workers, especially the women and low-wage workers who may need it most, due to many states' restrictive UI eligibility rules.

- Its benefits — potentially as low as $116 per week in some states — would have made it difficult for many families to afford to take leave.

- And similar to the UI system, it would have produced stark disparities across states in the size of paid leave benefits and the scope of coverage. Generally speaking, a worker in a poorer state would have had lower benefits and face more restrictive eligibility rules than a worker earning the same wage in a more affluent state.

Source: 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 .

Last year's Trump budget also proposed other Medicaid cuts. These include making it harder for eligible people to obtain coverage by requiring additional documentation of citizenship or immigration status, re-imposing asset tests, and making it harder for some seniors and people with disabilities to qualify for Medicaid without selling their homes.

Consistent with last year's budget, the Administration has been encouraging states to seek waivers that would take Medicaid coverage away from hundreds of thousands of people, has proposed regulatory changes that would cut financial assistance for millions of marketplace consumers, and has finalized rules that weaken the ACA's pre-existing conditions protections by allowing health plans that are exempt from these rules to proliferate. The Administration also took the unprecedented step of declining to defend the ACA in the *Texas v. Azar* suit brought by 20 state

attorneys general, instead calling on the courts to invalidate the ACA's protections for people with pre-existing conditions. The Administration claims its position in the case is driven by law, not policy. But including ACA repeal in its budget once again would indicate that the Administration supports ending the ACA's pre-existing condition protections through legislation, as well as through the courts.

Will the Budget Stick With the Same Type of Damaging Cuts in Low-Income Programs Outside Health as Previous Trump Budgets Included?

Each of the past two Trump budgets has targeted benefits and services for individuals and families of modest means for deep cuts, even as it has supported tax cuts conferring large new benefits on those at the top of the income scale.

Last year's budget proposed cutting SNAP benefits through various mechanisms, but Congress rejected those cuts in last year's farm bill.[8] Last year's budget also called for deep cuts in housing assistance, by reducing the number of households (including seniors, people with disabilities, and families with children) receiving Housing Choice Vouchers to help them rent modest private housing. In addition, it proposed raising rent burdens on households that have rental vouchers or live in public or private assisted housing, a proposal that would largely have targeted poor families with children, many of whom likely would have had difficulty affording the increased rents. The budget also included funding cuts for public housing repairs and maintenance, which would have accelerated the loss of affordable housing.

In other areas, last year's Trump budget would have cut basic income assistance for people with disabilities through Social Security Disability Insurance and Supplemental Security Income. It also proposed cutting both Temporary Assistance for Needy Families — which provides funds to states for short-term income assistance, work programs, and other crucial supports for poor families with children — and the Social Services Block Grant, which funds a broader array of services, including adult day programs for seniors and people with disabilities, programs for homeless individuals, and services for abused or neglected children.

If enacted, these cuts would have increased poverty and hardship, leaving more people struggling to afford basics like food and rent.

Will the Budget Repeat the Tactic of Pairing Modest New Short-Term Funding for Infrastructure With Even Larger Longer-Term Cuts?

The President briefly mentioned infrastructure in this year's State of the Union but didn't indicate what policies he would propose. Last year's Trump budget claimed to support up to $1.5 trillion in infrastructure investment. That number, however, was essentially a mirage, masking net *cuts* in federal infrastructure funding in the long run while shifting costs to states, cities, and private individuals.[9]

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[8] In the 2018 farm bill, Congress rejected a proposal to expand the number of people whose SNAP benefits would be taken away due to work requirements. The Administration, however, has recently issued a proposed rule that, if finalized, would implement a similar proposal through regulation.

[9] Jacob Leibenluft, "Trump "$1.5 Trillion" Infrastructure Plan Is a Mirage," CBPP, February 12, 2018, https://www.cbpp.org/blog/trump-15-trillion-infrastructure-plan-is-a-mirage.

If the Administration's 2020 budget follows the same approach as last year's budget, look for it to:

- **Shrink infrastructure investment through the Highway Trust Fund over time.** The federal government spends about $56 billion each year on highways and public transportation through the Highway Trust Fund (HTF), the bulk of which is funded by excise taxes on gasoline and other fuels. The Congressional Budget Office (CBO) projects that these taxes and balances currently in the trust fund will be insufficient to cover current levels of HTF spending after 2021, primarily because inflation is eroding the value of the gas tax. But instead of following the bipartisan practice of transferring general revenues to the HTF — or raising the gas tax and/or securing another funding source — last year's Trump budget proposed that the HTF spend no more in a given year than could be covered by current trust fund balances and the dedicated trust fund revenues it is currently projected to receive. Repeating that policy in the new budget would cut HTF spending over the 2022-2029 period (the last eight years likely covered by the budget) by *$159 billion.*[10]

- **Propose deep cuts to other discretionary funding that supports infrastructure.** Last year's budget proposed deep cuts in agencies and programs that fund infrastructure. These included heavily cutting mass transit, ending the Transportation Department's TIGER program (which supported some of the most innovative local infrastructure projects over the previous eight years), cutting the core Department of Transportation budget by nearly one-fifth, and reducing investment for new Army Corps of Engineer projects. It also called for eliminating the Department of Housing and Urban Development's main programs for building and renovating affordable housing.

- **Shift costs to states, cities, and individuals.** The core of the Administration's touted infrastructure plan in last year's budget was $200 billion in "new" federal funds. But, as noted above, the budget also proposed deep cuts to programs in the same agencies that would receive new grant-making authority under the infrastructure proposal. Further, the budget claimed that this $200 billion would support up to $1.5 trillion in new infrastructure spending, simply assuming that states, localities, and the private sector would provide the other $1.3 trillion of that support. The core element of the Administration's initiative — $100 billion in grants that must account for no more than 20 percent of a project's cost — would have placed the burden on states and localities to fund the vast majority of the infrastructure investments.

How Would Its Combination of Tax Cuts and Program Changes Affect Income Inequality and Racial Disparities?

This year's Trump budget will likely follow last year's in calling for permanently extending the 2017 tax law's tax cuts for individuals, including those that showered large benefits on high-income households and heirs to large estates. That would cost an estimated $257 billion in 2027 alone.[11] As discussed above, prior Trump budgets paired these tax cuts with deep cuts in programs like SNAP and Medicaid as well as cuts to a broad range of public services provided by non-defense

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[10] CBO, "Highway Trust Fund Accounts – CBO's January 2019 Baseline," https://www.cbo.gov/system/files?file=2019-01/51300-2019-01-highwaytrustfund.pdf. CBO's calculation of the 2022 exhaustion date and the $159 billion shortfall are based on the assumption that HTF obligations will grow with inflation.

[11] CBO, "The Budget and Economic Outlook: 2019 to 2029," January 28, 2019, https://www.cbo.gov/publication/54918.

discretionary programs. Taken together these policies would shift more resources to high-income households, exacerbate income inequality, and add to the already substantial barriers that low- and middle-income families of color face in today's economy.

Making the tax cuts permanent would cement the 2017 law's worsening of income inequality. The Tax Policy Center estimates that making the 2017 tax law's individual provisions permanent would increase the after-tax incomes of the top 1 percent of households by 2.0 percent, nearly twice the 1.1 percent gain for the bottom 60 percent of households.[12] Meanwhile, many households receiving SNAP or Medicaid got little or no benefit from the tax law, and cuts in these programs could leave them unable to afford adequate food or to access health care.

Reducing programs and services for low- and moderate-income families while cutting taxes for the most well-off also widens inequality 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 households are paid lower wages and have far less wealth than white households. That also is true of Latino households, many of whom have been in the country for fewer generations, can face discrimination, and are more likely than white households to live in neighborhoods with lower-quality schools.

- The Black poverty rate stood at 22.1 percent in 2017 by the government's Supplemental Poverty Measure, compared to 9.8 percent for non-Hispanic white individuals.[13]

- The median (or typical) net worth of non-Hispanic Black households was $17,100 in 2016, or one-tenth the $171,000 figure for non-Hispanic white households, according to the Federal Reserve Board.[14]

- Hispanic households' median wealth of $20,600 was one-eighth that of non-Hispanic white households.[15]

Due to disparities in income and wealth, Black and Latino individuals are more likely to need food assistance through SNAP and health coverage through Medicaid than non-Latino white individuals. Cutting those programs would disproportionately hurt these communities. Meanwhile, the biggest winners from the 2017 tax law were 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.[16]

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[12] 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.

[13] Liana Fox, "The Supplemental Poverty Measure: 2017," U.S. Census Bureau, September 12, 2018, Figure 3, https://www.census.gov/library/publications/2018/demo/p60-265.html.

[14] 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.

[15] *Ibid.*

[16] 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.