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Ryan Plan Gets 69 Percent of Its Budget Cuts From Programs for People With Low or Moderate Incomes

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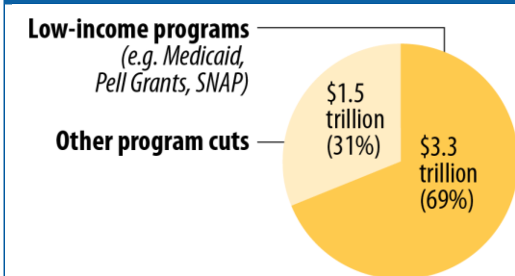
House Budget Committee Chairman Paul Ryan's new budget cuts $3.3 trillion over ten years (2015-2024) from programs that serve people of limited means. That's 69 percent of its $4.8 trillion in total non-defense budget cuts.

Not much has changed on this front from Chairman Ryan's budget plan of a year ago, or the year before that. Then, too, Chairman Ryan proposed very deep cuts, the bulk of which were in programs that serve low- and moderate-income Americans.

Figure 1

69 Percent of Cuts in Ryan Plan Come From Programs for People With Low or Moderate Incomes



Note: Calculations do not include defense increase.

Source: CBPP based on data from Congressional Budget Office and FY 2015 House Budget Resolution and Committee markup.

The deficit reduction plan that Fiscal Commission co-chairs Erskine Bowles and Alan Simpson issued in late 2010 established as a basic principle that deficit reduction should *not* increase poverty or widen inequality. The Ryan plan charts a radically different course, imposing its most severe cuts on people on the lower rungs of the income ladder.

The Ryan budget proposes $4.8 trillion in non-defense budget cuts through 2024: $900 billion from non-defense discretionary (NDD) programs and $3.9 trillion from entitlements and other mandatory programs. These cuts are in addition to the discretionary and entitlement cuts imposed by the 2011 Budget Control Act's (BCA) budget caps and sequestration.

Cuts in low-income discretionary and entitlement programs likely account for at least $3.3 trillion — or 69 percent — of the $4.8 trillion in non-defense cuts — and probably more than that. As the box below explains, our assumptions regarding the size of the low-income cuts are quite conservative. The $3.3 trillion figure includes:

- More than $2.7 trillion in health care reductions for low- and moderate-income people. Chairman Ryan's plan repeals the Affordable Care Act (ACA) subsidies to help people with modest incomes buy health insurance, repeals the ACA's Medicaid expansion, and eliminates much smaller ACA-related expenditures. It also block-grants Medicaid, cutting another $732 billion from that program. Under the Ryan plan, at least 40 million people — 1 in 8 Americans — would lose health insurance or fail to obtain insurance by 2024. Most of them would be people with low or moderate incomes.

Table 1

Spending Changes in House Budget Plan

10-year totals (2015-2024) in trillions of dollars

	Total	Low-income
Increased defense spending	+0.4	
Program cuts:		
Medicare, Medicaid, other health	-2.9	-2.7
All other mandatory programs	-1.0	-0.4
Subtotal, mandatory cuts	-3.9	-3.1
Domestic and international (NDD)	-0.9	-0.2
Total program cuts	**-4.8**	**-3.3**
Resulting interest savings	-0.8	
Grand Total, net reduced spending	-5.1	

NOTE: excludes war costs or savings. May not add due to rounding.
Source: CBPP calculations based on data from CBO and FY 2015 House budget resolution and markup.

- **$137 billion in cuts to SNAP (formerly food stamps).** Chairman Ryan's plan includes the harsh SNAP cuts the House passed last September — which the Congressional Budget Office (CBO) estimated would end benefits for 3.8 million low-income people in 2014 — and then block-grants SNAP starting in 2019 and imposes further cuts, leaving it to the states to decide whose benefits or eligibility to cut — poor children, working-poor parents, seniors, people with disabilities, or others struggling to make ends meet. Together, these provisions cut $137 billion over ten years, according to House Budget Committee staff.[1]

- **Up to $125 billion in cuts to Pell Grants.** Chairman Ryan's plan cuts Pell Grants very substantially over the next decade, making it harder for low-income students to attend college. It freezes the maximum Pell Grant, which already covers less than a third of college costs, for ten years, even as college tuition costs continue to rise. It repeals all mandatory Pell funding (Pell Grants receive both mandatory and discretionary funds), amounting to a ten-year cut of $89 billion. It also squeezes total NDD funding significantly below the already low post-sequestration levels (see below); if discretionary funding for Pell Grants absorbs its proportionate share of the overall cut in NDD funding, the total cut in Pell funding rises to $125 billion.

  In addition to the cut in Pell funding, Chairman Ryan proposes to cut the student loan programs by an estimated $48 billion over ten years, adding to the difficulty of financing a

[1] See Dottie Rosenbaum, *Ryan Budget Would Slash SNAP by $137 Billion over Ten Years*, at http://www.cbpp.org/cms/index.cfm?fa=view&id=4118

college education. But because student loans are not explicitly targeted on students from families with low incomes, we do not include this cut in our low-income total of $3.3 trillion.

- **More than $16 billion from eliminating the Social Services Block Grant (SSBG).** Chairman Ryan proposes to eliminate SSBG, which distributes funds to state human services departments. States have considerable flexibility in the uses of this grant; common uses include Meals on Wheels for homebound seniors, child care subsidies for working-poor families with young children, and shelters or alternative housing for the homeless.

- **At least $150 billion in cuts in *unspecified* mandatory programs serving low-income Americans.** Chairman Ryan's budget appears to specify more than $3.6 trillion of its $3.9 trillion in mandatory program cuts (or locates them in parts of the budget unrelated to low-income programs). This leaves about $250 billion of cuts in a budget category (or "function") called "Income Security" that are almost entirely *un*specified. Income Security includes many programs that serve low- and moderate-income Americans, such as Supplemental Security Income for the elderly and disabled, the school lunch and child nutrition programs, and the Earned Income and Child Tax Credits for lower-income working families. (It also includes SNAP and civil service pensions, for which the budget specifies savings.)

  Slightly more than 60 percent of Income Security spending, outside SNAP and civil service pensions, is for low-income programs; the other 40 percent is for military retirement, unemployment compensation, and a few much smaller retirement and disability programs. For this analysis, we assume that the $250 billion in unspecified mandatory cuts in this portion of the budget is split 60-40 between low-income and other mandatory programs in proportion to their costs under current law. We thus assume $150 billion of these cuts will come in low-income programs. (This estimate is likely conservative, as the box explains.)

- **About $160 billion, and maybe more, in cuts to low-income non-defense discretionary (NDD) programs.** In addition to the deep cuts in mandatory programs discussed above, the Ryan budget also cuts discretionary, or annually appropriated, programs. These cuts would be on top of those already enacted as a result of the BCA's discretionary caps *and* sequestration.

  The Ryan budget cuts NDD programs about $900 billion below their post-sequestration levels.[2] Roughly half of these cuts are located in portions of the budget that have little or no low-income programs, such as scientific research, natural resources, and especially transportation infrastructure. But the rest are essentially unspecified or occur in areas where low-income programs reside. Here, too, we make the conservative assumption that low-income programs would bear a proportionate share of the cuts, which is how we derive our estimate of $160 billion in reductions. That $160 billion in cuts would likely include a cut in the discretionary portion of the Pell Grant program, as mentioned above.

[2] The discretionary *funding* (or budget authority) figures in Chairman Ryan's budget are $791 billion below the post-sequestration statutory caps imposed by the Budget Control Act of 2011 (and CBO's projection of those caps after 2021, when they expire), as his backup material details. But the *expenditure* (or outlay) reductions reach about $900 billion largely because of the severe cuts Chairman Ryan proposes in the highway and mass transit programs. While the *expenditures* from these programs are treated as non-defense discretionary, for historical reasons the *funding* levels for these programs are not (and are not subject to the BCA's caps or sequestration).

By relying disproportionately on cuts to low-income programs, Chairman Ryan's new budget follows the same pattern as his previous budgets. Measured on a comparable basis, his budget last year would have cut low-income programs by $3.1 trillion over ten years, a figure representing 72 percent of its total cuts.[3] The small differences between those figures and this year's comparable figures — $3.3 trillion in low-income cuts, representing 69 percent of the total cuts — reflect more a change in baselines and the new ten-year budget window (2015-2024 instead of 2014-2023) than a change in policy priorities.

[3] Sharon Parrott and Joel Friedman, *Preview of New Ryan Budget: As Extreme as Last Year's, If Not More So*, Center on Budget and Policy Priorities, March 31, 2014, http://www.cbpp.org/cms/index.cfm?fa=view&id=4112. These figures differ somewhat from those in a previous CBPP analysis of Chairman Ryan's budget for last year (Richard Kogan and Kelsey Merrick, *Chairman Ryan Gets 66 Percent of His Budget Cuts from Programs for People with Low or Moderate Incomes*, Center on Budget and Policy Priorities, March 15, 2013 http://www.cbpp.org/cms/?fa=view&id=3925). That analysis compared Chairman Ryan's budget to a baseline that assumed, among other things, that the cuts required by sequestration, by Medicare's Sustainable Growth Rate formula, and by the expiration after 2017 of the 2009 American Opportunity Tax Credit and the 2009 improvements in the Earned Income Tax Credit and the Child Tax Credit would not take place. (Those three tax credits are "refundable," which means that the benefits can be received even when they reduce tax liability below zero; the refundable aspects of those programs are scored as expenditures.) Relative to that baseline, we estimated that last year Chairman Ryan's budget would have cut non-defense programs by $5.0 trillion and low-income programs by $3.3 trillion. In contrast, the $3.1 trillion, 72 percent figures for Ryan's budget of last year (cited above) compare that Ryan budget to current law.

Our Analysis Likely Understates Ryan Budget's Tilt Toward Low-Income Cuts

This analysis finds that roughly $3.3 trillion — or 69 percent — of the ten-year cuts in Chairman Ryan's budget affect programs that assist low- and moderate-income people. But the cuts may be even more heavily weighted toward low-income people. Why is that?

As noted, the budget includes $250 billion in unspecified mandatory cuts in the Income Security function. We allocated those cuts proportionally among the programs in that function: $150 billion in cuts for low-income programs such as school lunch, Supplemental Security Income, and the Earned Income Tax Credit, and $100 billion in cuts for the remaining programs. Those remaining programs are almost entirely military retirement and state unemployment insurance. If military retirement takes its proportionate share of the unspecified mandatory cuts, it would have to be cut about $48 billion over ten years — *eight times* the size of the cut in the Bipartisan Budget Act of 2013 that created such a firestorm that it was quickly repealed. If one concludes that military retirement will *not* be cut, the low-income share of the $250 billion in unspecified mandatory cuts rises towards $200 billion.

It may also be difficult for Congress to cut state unemployment insurance. Now that federal unemployment benefits have expired, essentially only the state unemployment trust funds remain. For these programs, benefits are prescribed by state law and financed by state unemployment taxes (the transactions show up in the federal budget for obscure, technical reasons). If one also concludes that Congress would not force states to cut their own unemployment benefits, eliminating these funds as a potential source of savings, then almost all of the $250 billion in unspecified mandatory cuts in the Income Security category must come from low-income programs.

Finally, the Ryan budget calls for $125 billion in mandatory cuts from the budget category known as Commerce and Housing Credit, which contains the postal service, Fannie Mae and Freddie Mac, deposit insurance, the Federal Housing Administration (FHA), the Federal Deposit Insurance Corporation (FDIC), and other regulators. Through bank fees, housing loan fees, regulatory fees, and the sale of postage stamps, this budget category runs a small net profit for the government. The Ryan plan would apparently increase that net profit *sevenfold*, by "eventually eliminating" Fannie and Freddie, "reforming" the postal service, eliminating funding for the Dodd-Frank bank regulators, and possibly requiring banks to pay the FDIC higher annual fees.

But it is hard to see how these proposals could save even half the $125 billion that the Ryan budget assumes. Either there is an unstated plan to charge *far* more for mortgages and deposit insurance — which we implicitly assume by taking the figures in this budget category at face value — or else about $70 billion of the mandatory cuts located in this function are better viewed as unspecified mandatory cuts to the budget as a whole. If the latter is correct (and if these unspecified cuts are not allocated to Social Security, Medicare, or veterans' programs), then a proportionate allocation would add another $50 billion in cuts to low-income mandatory programs.

In short, the low-income mandatory cuts could total up to $3.3 trillion over ten years rather than our estimate of almost $3.15 trillion. Combined with the discretionary low-income cuts, the *total* low-income cuts would then be roughly $3.45 trillion, and the share of all budget cuts affecting programs to assist low- and moderate-income people would rise from 69 percent to 72 percent.

Lastly, it is worth noting that the budget proposals in Chairman Ryan's plan are calculated starting from current law, in which the American Opportunity Tax Credit expires after 2017, as do the improvements in the Earned Income Tax Credit and the Child Tax Credit that were enacted in 2009. Those expirations, which affect low- and moderate-income taxpayers, total another $125 billion over ten years and can be viewed as cuts that are simply built into Chairman Ryan's base.