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# Previewing the Trump Budget: More "Robin Hood in Reverse" and Gimmicks?

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President Trump's forthcoming 2018 budget will likely propose policies that would significantly damage the well-being of tens of millions of low- and middle-income people, both now and in the future, while lavishing large and costly tax cuts on those at the top. Thus, at a time of intensely concentrated income and wealth, the budget would likely shift trillions of dollars of resources away from low- and middle-income people and toward the highest-income Americans, thereby increasing inequality, hampering mobility, and worsening poverty and hardship.

We already know this is where the President is headed based on the policies he has supported or proposed. For starters, he strongly supports the House-passed bill to "repeal and replace" the Affordable Care Act (ACA). That bill would provide large tax cuts to millionaires (averaging $50,000 apiece in 2025 alone) while ending health coverage to more than 20 million people, raising health costs for millions more, radically restructuring Medicaid, and substantially weakening key protections for people with pre-existing medical conditions. In addition, the President has proposed a tax plan that could cost more than $5 trillion in lost revenues over ten years and provide tax cuts to the top 1 percent of households averaging hundreds of thousands of dollars per household per year, while its ramifications for low- and middle-income households are decidedly unclear. Finally, the President's "skinny" budget, which the Administration released in March, proposes deep cuts to non-defense discretionary programs that fund such priorities as education, job training, basic research, infrastructure, and other investments that help boost productivity and the living standards of average Americans.

The Trump budget will provide more information about these cuts and, for the first time, present the President's proposals for mandatory programs ("entitlements") — through which tens of millions of eligible low- and middle-income individuals and families receive health, nutrition, and other benefits and services based on their age, income, or other criteria. If, as news reports suggest, the budget includes sizable cuts to programs that provide basic food assistance, Social Security Disability Insurance benefits for workers with disabilities and their families, income assistance to low-income people with disabilities (including children), and Medicaid *beyond* the cuts in the House bill, then the President's "reverse Robin Hood" agenda will be even clearer.

At the same time, the budget could be rife with gimmicks and unrealistic economic assumptions to hide the distributional and fiscal effects of its tax cuts, as well as to claim progress in reducing the deficit — potentially even claiming that the budget would reach balance in some future year. The extent of smoke and mirrors could be unprecedented in scale. That would be highly unfortunate because debates around core questions of where the nation should invest, how much and whom it should tax, and the nature of public services and our safety net can only produce sound policymaking if they're grounded in fact, not wishful thinking about the costs and benefits of various policies.

The budget's answers to the following questions will shed further light on the winners and losers under the President's proposals and the credibility of the information that the budget presents.

## Who wins, who loses?

**Will the budget cut basic assistance that helps families, children, and people with disabilities afford food, housing, and other necessities?** The skinny budget didn't provide information about the Administration's plans for mandatory programs, but these programs reportedly could be slated for $800 billion in cuts over the next decade. This could include further cuts to Medicaid beyond the very severe cuts that the House has already agreed to (see below), as well as to a range of basic support programs. The cuts might hit basic food assistance provided through the Supplemental Nutrition Assistance Program (SNAP, formerly food stamps); aid to children with disabilities (such as Down syndrome, cerebral palsy, and autism) living in low-income families that is provided through the Supplemental Security Income program; and basic aid to struggling families through other mandatory programs. The President reportedly may also propose cuts in Social Security Disability Insurance (SSDI), which benefits workers who pay into Social Security and whose careers have been cut short by severe medical impairments, contradicting the President's pledge not to cut Social Security.

**Will the budget cost Americans their health coverage, and will the coverage losses exceed those from the House ACA repeal bill?** The House bill would effectively end the ACA's Medicaid expansion for low-income adults. It would also cut and radically restructure Medicaid for seniors, people with disabilities, families with children, and poor adults by establishing an arbitrary cap on per-beneficiary federal Medicaid funding (a "per capita cap") or by allowing states to elect a block grant, either of which would cover a declining share of program costs over time. As a result, the bill would cut Medicaid spending by more than $800 billion over the decade, and cut Medicaid enrollment by 14 million people by 2026. The Trump budget reportedly will likely assume enactment of the House bill and then propose further significant cuts to Medicaid, potentially swelling the ranks of the uninsured or under-insured even more than the House bill would.

**Which particular services and investments will be affected by the President's proposed steep cuts in non-defense discretionary programs in 2018, and what aggregate funding levels will the President propose for such programs in subsequent years?** The skinny budget provided information about just one part of the budget — discretionary (or annually appropriated) programs. It proposed to increase defense funding by $54 billion in 2018 (compared to the sequestration level under the 2011 Budget Control Act) and offset it with a $54 billion cut below the sequestration level in non-defense discretionary programs. These cuts would come on top of the reductions to non-defense discretionary programs that have already occurred since 2010, and they would drive overall spending on those programs to its lowest percent of the economy in more than six decades. The skinny budget suggests the President will propose significant cuts in a range of areas, such as job training for workers and young people who need help to succeed in today's labor market; in research and development, which promotes future economic growth; in environmental protection; and in humanitarian aid that fights the hunger and deplorable health conditions faced by people in developing nations who live in extreme poverty. But the skinny budget didn't delineate all of the specific cuts to come, it didn't provide the precise nature of the cuts it did specify, and it didn't indicate whether the overall cuts to this part of the budget would grow or shrink over time. The coming budget will provide additional detail that will enable a better assessment of the cuts in non-defense discretionary programs.

**Will the budget clarify the President's tax proposals that affect low- and middle-income households, and will those proposals be well-designed?** To date, Administration officials have rhetorically embraced the notion of focusing their tax plan on working families, but the President's tax proposals, themselves, have not done so and have left many questions unanswered. The President's tax plan, unveiled on April 26, didn't even provide enough detail for analysts to assess whether low- and middle-income families would receive tax cuts or tax *increases*. Further, by not proposing to expand the Earned Income Tax Credit or the part of the Child Tax Credit that's focused on working families with limited incomes, the Trump tax plan ignores at least 17 million working families. That's disturbing because that tax plan comes on top of the House-passed ACA repeal bill, which the President supports and which contains the largest tax *increase* on low- and moderate-income families in recent decades, because it slashes tax credits that help such families to afford adequate insurance. In the coming budget, the Administration may provide further clarity about its tax policies as they affect low- and middle-income workers — or it may remain vague about whether its proposals help or hurt working families while proposing specific tax cuts that primarily benefit those at the top.

## Will the budget include transparent and credible information?

**How much information will the budget provide?** The skinny budget included far less information than its predecessors (based on a comparison of initial budget submissions of new administrations back to President Reagan). It only provided information on discretionary programs — which comprise less than a third of the budget — and even that information lacked essential details, such as overall funding levels after 2018. Similarly, the President's tax plan consisted of a one-page document that begged for answers to many key questions. The coming budget could fill much of this information gap by providing the details behind various policy proposals, but it also could leave out critical details of proposals.

**What revenue levels will the budget assume, and will those levels reflect its tax policies as well as realistic economic assumptions?** As noted, the President's tax plan could lose more than $5 trillion in revenues over the next ten years. The budget, however, will almost certainly show revenues declining much less than that. The size and nature of the discrepancy deserves close scrutiny in two respects.

First, the tax plan would provide trillions in tax cuts to those at the top and to corporations but, at the same time, Treasury Secretary Steven Mnuchin has promised that the rich will receive *no* net tax cuts because their tax cuts will be offset by cuts in deductions and loopholes that benefit them. Due to the size of the specific tax cuts for the wealthy, however, there is no mathematical way to reduce deductions that benefit the wealthy enough to fully offset the tax cuts. The budget may or may not provide additional information to explain this serious discrepancy.

Second, the economic growth assumptions on which Administration officials have suggested this budget will rely are far more optimistic than those of the Congressional Budget Office and other reputable forecasting institutions, and are almost certainly unachievable. In particular, the budget may claim unrealistically large impacts from its proposed tax cuts. The impact of optimistic growth assumptions is dramatic when it comes to revenues: over a decade, each 0.1 percentage point increase in average economic growth boosts forecasted revenues by about $300 billion. So, if the Administration artificially adds one percentage point to its growth forecast, that would boost projected revenues by roughly $3 trillion over ten years.

Such chicanery would have far-reaching implications. If the effects of tax cuts on the deficit and the debt are obscured, policymakers will likely provide larger tax cuts that disproportionately benefit the affluent and large corporations, thereby squandering national resources that policymakers could better use to help struggling families, invest in high-priority programs, or devote to long-term deficit reduction. And if, in turn, tax cuts fuel higher deficits than predicted, that likely will prompt policymakers to make further rounds of budget cuts in coming years to programs that help low- and middle-income families (or perhaps even to raise taxes on such families). So even if working families initially receive a modest tax cut from the Trump plan, they will likely wind up worse off in the end.

**Will the budget assume implausibly large spending reductions from eliminating "waste, fraud, and abuse"?** The budget reportedly may claim large savings from reducing "waste, fraud, and abuse" and from making programs "more efficient." While laudable goals, critics often overstate the extent of wasteful spending and understate the difficulty in significantly reducing erroneous payments. Some programs have very low error rates. And, the measurement of improper payment rates often overstate levels of true error and fraud. This is because many "improper payments" are, in fact, payments that individuals or companies were owed but lacked some of the required documentation, and some improper payments reflect *underpayments* rather than overpayments.

Efforts to cut wasteful or inefficient spending are also far from new, suggesting that further progress in these areas could be modest. The federal government, for instance, already has in place efforts to ensure that those receiving payments — be they contractors, Social Security beneficiaries, or providers of services for Medicare patients — are indeed supposed to receive those payments. This includes rigorously reviewing the eligibility factors before families are certified as eligible for SNAP or workers receive SSDI, and using data to identify potentially incorrect or fraudulent health care provider claims in Medicare. While greater investment in program integrity efforts can yield some savings, very large savings are unlikely to materialize.

While the budget may propose new initiatives in this area, the budget also may underfund efforts at the Internal Revenue Service (IRS) to pursue tax cheating whether by households or corporations. These IRS efforts have been shortchanged in recent years, leading to lower audit rates and ultimately diminished revenue collection. And adequate IRS resources may be more important than ever because of certain provisions of the President's tax cut plan — such as his proposal for a special, lower tax rate on "pass-through" business income, which almost certainly would lead many wealthy individuals to reclassify as much of their income as possible as pass-through income so they could take advantage of the dramatically lower tax rate. The resulting tax avoidance could cost the government hundreds of billions of dollars over the next decade, and IRS rulemaking and enforcement would be crucial to averting even more abuse.

Finally, if the budget projects any specific savings under the category of reducing "waste, fraud, and abuse," one question will be whether it is misusing the "waste, fraud, and abuse" label to promote proposals that would, in fact, result in denying assistance to needy families legitimately eligible for the programs.

**Will the budget include other gimmicks?** Hoping to show that their budget reduces deficits or even reaches balance, Administration officials may also include large, *unspecified* spending cuts (sometimes called "magic asterisks"), dubious technical assumptions, and other smoke and mirrors. The combination of such gimmicks, highly unrealistic economic assumptions, and potentially large illusory savings from eliminating waste, fraud, and abuse, means the budget could contain an unprecedented amount of highly questionable material that misportrays its likely effects on deficits, debt, the economy, and everyday citizens.