

Trump Budget's Radical, Harmful Priorities



President Trump's budget should lay to rest any notion that he's looking out for the millions of people that the economy has left behind. He proposes steep cuts in basic health, nutrition, and other important assistance for tens of millions of struggling Americans even as he calls for extremely large tax cuts for the nation's wealthiest people and profitable corporations. Inequality and poverty would grow significantly worse while deficits, when honestly measured, would rise.

Millions Would Lose Health Insurance

The budget would cut health assistance to low- and moderate-income people by \$1.9 trillion over ten years: (1) \$1.3 trillion from the House bill to "repeal and replace" the Affordable Care Act (ACA) that the budget endorses — which would take health insurance from 23 million people, raise out-of-pocket health costs for millions more, and substantially weaken key protections for people with pre-existing conditions — and (2) \$610 billion of *additional* Medicaid cuts on top of that.

- Like the House bill, the budget would convert Medicaid into a per capita cap or, at state option, a block grant, but then would cut it considerably more deeply than the House bill by lowering the per capita growth rate and letting states cut their programs in ways that they aren't permitted to do now. It likely would mean cutting the Medicaid program by nearly half by 2027.
- Facing massive new Medicaid costs, states would have to impose draconian cuts to eligibility, benefits, and provider payments to offset the loss of federal funds. Even more low-income seniors, people with disabilities, and children and families would become uninsured or go without needed care than under the House bill.

Deep Cuts in Other Basic Assistance Programs

The budget includes roughly \$275 billion in other cuts to entitlement programs over ten years that help struggling families and elderly and disabled people afford the basics. It would:

- Cut SNAP (food stamps) by more than \$193 billion over the next ten years — or more than 25 percent — by cutting eligibility for millions of households and reducing benefits for hundreds of thousands more. By requiring states to pay for 25 percent of SNAP benefits by 2023, and giving states new flexibility to cut basic food assistance to poor households, the budget would overturn a four-decade bipartisan consensus that SNAP (as a national program) should guarantee that people in need have access to a basic diet regardless of where they live.
- Cut \$72 billion over ten years from Social Security Disability Insurance (SSDI) and Supplemental Security Income — which provide income benefits to individuals with disabilities — which would hurt some of the nation's most vulnerable households. By proposing SSDI cuts, the President has broken his promise to protect Social Security.
- Cut, by \$22 billion over ten years, the Temporary Assistance for Needy Families (TANF) block grant and Contingency Fund, which provide funds to states for short-term income assistance, work programs, and other crucial supports for poor families with children; and eliminate the Social Services Block Grant, a \$1.7 billion program that provides states with flexible funding for services such as adult day programs for seniors and people with disabilities, child care, and help for children who are at risk of abuse and neglect, among others.

Historic Declines in Investments and Government Services

Non-defense discretionary (NDD) appropriations fund priorities including education, scientific research, public health, housing assistance, and basic government operations. The budget slashes NDD by \$54 billion below the already austere level for 2018 and a remarkable \$1.6 trillion over the next decade. That would take NDD spending in 2018 to its lowest level as a percent of the economy in six decades. By the end of a decade, NDD as a percent of the economy would be at its lowest level *since the Hoover Administration* or earlier. These programs have already been hit hard over the past seven years, due largely to the 2011 Budget Control Act's tight caps on non-defense and defense appropriations and further "sequestration" cuts below those levels. The President's budget would magnify that austerity many times over.

It calls for steep cuts in a broad array of investments and public services. For example:

- In 2018, it would cut job training grants by 40 percent, despite the need for many workers to upgrade their skills to succeed in today's economy; eliminate housing vouchers for more than 250,000 lower-income households, denying aid that helps them pay the rent and avoid homelessness; and end the Low-Income Home Energy Assistance Program, which helps poor households pay high heating bills. It would also cut environmental protection efforts, foreign assistance, and medical and scientific research.
- After 2018, the proposed NDD funding levels strain credulity. By 2027, the budget calls for cutting funding for NDD programs 41 percent *below* the 2017 level, adjusted for inflation. Cutting so deeply from Social Security field offices to education and job training to federal law enforcement to scientific research will cause serious problems for the economy, for struggling individuals and families, and for basic government functions.

Costly Tax Cuts Skewed to the Top

Trump's tax plan would shrink federal revenues by roughly \$5 trillion over ten years, based on our analysis of Tax Policy Center estimates, with the tax cuts largely flowing to the wealthy and profitable corporations. The top 1 percent would receive annual tax cuts averaging more than \$250,000 apiece, while low- and moderate-income families would receive little or nothing. At least 17 million working families and individuals would be excluded from any tax benefit. The plan contains costly proposals skewed to the top that would:

- Cut the top corporate rate from 35 to 15 percent, which would cost more than \$2 trillion over ten years. More than half of the benefits would flow to the top 1 percent of households.
- Cut, to 15 percent, the rate on "pass-through" income — the income from businesses such as partnerships, S corporations, and sole proprietorships that the owners claim on their individual tax returns and that's taxed like wages and salaries. It would cost \$1.9 trillion over ten years, with 30 percent of that cost reflecting tax avoidance by high earners (who would reclassify their wage and salary income as "business income" to get the lower pass-through rate). Two-thirds of the tax cut on pass-through income would flow to millionaires.
- Eliminate the estate tax, which would provide a windfall to only the heirs of the wealthiest 0.2 percent of estates — the only ones who owe estate taxes under current law.

Phony Accounting and Unrealistic Economic Assumptions

The budget relies on gimmicks totaling roughly \$7 trillion over the next decade, so no one should take its claims of fiscal probity seriously.

- Even though the President's tax cut proposals (other than the \$1 trillion included in the House health bill) would cost roughly \$5 trillion over the decade, the budget assumes that they will have no net impact on revenues. The President, however, has offered few details on how to pay for them nor specific measures to offset their costs.
- The budget assumes that economic growth will rise to 3 percent by 2021, which most economists find highly implausible. From this projected higher growth, the Administration claims \$2 trillion in deficit reduction.

What to Expect Next

While Congress never adopts a President's budget in total, many commentators have suggested that the Trump budget is "dead on arrival" in Congress. But this understates its potential influence on coming budget debates.

- First, this budget's basic architecture — large tax cuts for the wealthy, deep spending cuts in basic benefits and core investments, and claims of budget balance based on gimmicks — is nearly identical to budgets that congressional Republicans have produced in recent years. So while some Republican lawmakers may say they don't support the Trump budget, many have in fact voted for very similar budgets in the past.
- Second, Congress is already considering key policies at the heart of the Trump budget, notably repealing the Affordable Care Act, cutting Medicaid deeply, and cutting taxes for wealthy people and corporations. Congress is using a fast-track process ("reconciliation") for health changes, and GOP leaders say they plan to use it for tax reform. There are also some signs that Congress may use reconciliation to cut low-income entitlement programs.