
June 26, 2017

Commentary: House Moving to Fast-Track Both Low-Income Program Cuts and Tax Cuts for Wealthy

By Robert Greenstein

With House Republicans starting work as early as this week on a budget plan to set a framework for budget, tax, and appropriations bills to follow, numerous media articles are reporting that their emerging plan features large cuts in basic assistance programs for low-income families, alongside big tax cuts skewed to those at the top.

In fact, key Republican leaders are designing their plan to enable Republican lawmakers to muscle through these Robin-Hood-in-reverse policies via the “budget reconciliation” process, so they won’t need to negotiate with Democrats or secure a single Democratic vote for the plan’s radical changes.

The process will start in the House Budget Committee. Committee Chair Diane Black has developed a budget plan (technically known as a “budget resolution”) that contains an even bigger defense increase in 2018 than the Trump budget — reportedly \$72 billion over the sequestration cap plus \$10 billion more than the President requested for war funding outside the cap. The defense increase is accompanied by *cuts* in non-defense discretionary programs *below* the already austere sequestration level.

And the plan reportedly will also require, through the reconciliation process, substantial cuts in “mandatory” (i.e., entitlement) programs — reportedly about \$200 billion in cuts over ten years,¹ with these cuts coming primarily or exclusively from programs for families and individuals who have fallen on hard times, such as the Supplemental Nutrition Assistance Program (SNAP, formerly known as food stamps) and the Temporary Assistance for Needy Families (TANF) block grant.

These harsh cuts would come *on top* of the severe cuts in the House-passed bill (and the draft Senate bill) to “repeal and replace” the Affordable Care Act (ACA), which would cause many millions of people to lose coverage and result in skimpier or less affordable coverage for millions more. Most of those losing coverage have low or modest incomes — and many of them would be hit from multiple sides under the GOP budget and health plans.

¹ Sarah Ferris, “Budget committee nearing deal with deficit hawks,” POLITICO Pro, June 24, 2017.

Similarly, the large tax cuts that the House budget likely will propose for people with very high incomes would come on top of the sizable tax cuts that these people already would receive under the GOP health bills.

Such a budget plan would generate one clear result: more poverty and inequality. That would violate a core principle of the 2010 Bowles-Simpson bipartisan deficit reduction commission that budget and tax changes shouldn't increase poverty or inequality. And it would do so at a time when wealth is exceptionally concentrated at the top while tens of millions of Americans struggle just to get by.

Like House Republican budget plans of recent years, this one will likely present a broader, very radical fiscal vision that assumes trillions of dollars in cuts to domestic programs, with a highly disproportionate share of them coming from programs for people with limited incomes. The House took an aggressive first step toward implementing this vision when it passed its ACA repeal bill. Chairwoman Black's budget plan reportedly will go further down this path.

In particular, her plan won't just *assume* Robin-Hood-in-reverse policies but will *mandate* a number of them — in both taxes *and* spending. Through reconciliation, it apparently will require the House Ways and Means, Agriculture, and Energy and Commerce committees to cut programs like SNAP, TANF, and Supplemental Security Income for the elderly and disabled poor.

Rubbing salt in the wounds, the plan may also not only enable the House majority to use reconciliation to advance regressive tax legislation that primarily benefits those at the top, but may pave the way for even deeper cuts in basic assistance programs for the needy to finance still bigger tax cuts. That will be true if the budget plan's reconciliation instructions to the congressional tax-writing committees call for "*deficit* neutral" tax cuts — meaning that they can be financed by cuts to entitlement programs — rather than "*revenue* neutral" tax cuts — meaning they will be financed by offsetting tax increases, as House Speaker Paul Ryan, Senate Majority Leader Mitch McConnell, and President Trump's 2018 budget previously indicated. If the budget plan's reconciliation directives merely require *deficit* neutral tax cuts, that will create a powerful incentive for GOP lawmakers to seek steeper cuts in basic aid for people in need so their tax cuts can be bigger (or so they need to scale back fewer tax deductions, exclusions, and other preferences to offset the tax cuts).

Budget reconciliation bills can't be filibustered; they require only a simple majority (rather than 60 votes) to pass the Senate. Budget resolutions similarly require only simple majorities to pass. Controlling both the House and Senate, Republicans are expected to push the budget resolution and reconciliation bill as party-line votes. (Republicans are similarly using the reconciliation process to advance their legislation to repeal the ACA.)

Those calling for large cuts in basic assistance for the needy often argue that spending for these programs is out of control and that the cuts they seek would constitute "welfare reform" that helps poor adults succeed in the job market. As we've explained more fully, both arguments are specious.²

² Sharon Parrott and Isaac Shapiro, "Flawed Rationale for Cuts in Core Assistance Programs for Low-Income Families," Center on Budget and Policy Priorities, June 26, 2017, <http://www.cbpp.org/research/federal-budget/flawed-rationale-for-cuts-in-core-assistance-programs-for-low-income>.

Spending on low-income entitlement programs outside of health has fallen in recent years and isn't expected to rise faster in the future than the economy grows. In fact, in the coming years, total spending on these programs, measured as a share of the economy (gross domestic product, or GDP), is expected to fall *below* its average over the prior 40 years and then to remain below. These programs consequently aren't contributing to the nation's long-term fiscal challenges.

And while Medicaid costs *are* rising, that's because the population is aging and health costs are rising throughout the U.S. health care system, with much of the latter due to medical advances that improve health and save lives but add to costs, like the blockbuster drug Sovaldi, which treats Hepatitis C. Moreover, costs per beneficiary are substantially *lower* in Medicaid than under private insurance — more than 20 percent lower for comparable beneficiaries — and Medicaid's per-beneficiary costs have been rising more slowly than those for private insurance. While certainly not perfect, Medicaid is the nation's most economical form of large-scale health insurance.

As for “welfare reform,” that's largely become a misleading slogan. The policies that President Trump and the arch-conservative House Freedom Caucus call “welfare reform” would, in reality, sharply cut basic aid for those who need it while doing virtually nothing to help these people succeed in today's economy — or less than nothing, given Trump Administration and other proposals that would *cut* job training and child care funding and make college less affordable for many young people from low-income families.

The big losers under such policies, as under the Trump budget, include many people who struggle to get by on low or modest wages — including many who voted for Trump and for Republican senators and House members.

All told, the emerging House Republican budget plan poses a test for House GOP members — particularly moderate members, without whose support this plan can't pass the House. Do they really want to impose additional hardship on millions of low- and moderate-income people on top of the severe House health bill that would deny health insurance to more than 20 million Americans with modest incomes? Do they really want to harm families and individuals who have fallen on hard times even as they confer lavish tax cuts on those at the top and highly profitable corporations? If not, they should reject this budget plan.