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House GOP Budget Retains Tax Cuts for the Wealthy, Proposes Deep Program Cuts for Millions of Americans

By Joel Friedman and Richard Kogan

The House Republican budget plan for 2019, which the House Budget Committee adopted on a party-line vote on June 21, would retain the costly tax cuts enacted last year — which primarily benefit the well-off — while making deep cuts in health care and basic assistance for struggling families and severely cutting funding over time for investments that can boost the nation's productivity and thereby foster economic growth. The budget would cut more than $5 trillion from non-defense programs over the next decade (2019 through 2028). Half of these cuts would likely come from programs that aid low- and moderate-income individuals and families.

The budget would cut $4.6 trillion from mandatory (or entitlement) programs over the decade, including:

- **$2.1 trillion in cuts to health programs,** including $1.5 trillion in cuts to Medicaid and Affordable Care Act (ACA) premium tax credits and $537 billion in Medicare cuts. The budget incorporates the ACA repeal legislation that the House passed last year, which would cause 23 million people to lose health coverage by 2026, according to the Congressional Budget Office's (CBO) 2017 estimate. (This estimate included the effect of repealing the individual mandate, which Congress has since enacted.)
- **$923 billion in cuts to income security programs** such as the Supplemental Nutrition Assistance Program (SNAP, formerly food stamps); Temporary Assistance for Needy Families (TANF); Supplemental Security Income (SSI) for low-income aged, blind, or disabled individuals; and federal civil service pensions.
- **$231 billion in cuts to education and social service programs,** including complete repeal of mandatory funding for Pell Grants — which would cut the maximum Pell Grant to students by $1,060 — and the Social Services Block Grant, as well as deep cuts in student loans.

The cuts would be severe. In total, the plan calls for slashing those entitlement programs that provide basic assistance, health care, college assistance, and other help to low- and moderate-income families by roughly *one-third* by 2028. This would require either taking away various forms of assistance entirely from millions of Americans who struggle to get by, substantially cutting the amount of aid that they receive, or a combination of the two.

The House budget also would cut funding for non-defense discretionary (NDD) programs by 25 percent by the end of the decade, relative to the 2019 level adjusted for inflation. These programs, for which funds are annually appropriated, cover a wide range of priorities such as education, job training, infrastructure, environmental protection, housing assistance, national parks, law enforcement, and medical and scientific research.

For 2019, the budget would adhere to the increased NDD funding levels set by last fall's bipartisan budget agreement. But that agreement only covered 2018 and 2019, and absent further congressional action, funding for non-defense discretionary programs would revert in 2020 to the very low levels required by the 2011 Budget Control Act (BCA) as further reduced by sequestration — levels that Congress has repeatedly found too low to meet national needs and consequently has raised. The House budget plan would set funding in 2020 and 2021 at the low post-sequestration levels, and would then freeze NDD funding at that very low 2021 level for the rest of the decade. Ultimately, this budget would reduce NDD spending to its lowest level as a percent of the economy *since the Hoover Administration*.

This budget, President Trump's 2019 budget, and congressional Republican budgets from prior years all share this same basic approach. If implemented, they would increase the number of Americans who struggle to put food on the table, keep a roof over their heads, or afford college; widen income inequality; and leave tens of millions more without health coverage. At the same time, the budget retains the $1.9 trillion in tax cuts enacted in 2017, which overwhelmingly benefit households with the highest incomes. And contrary to standard budget practice, it permits extension of the tax law's expiring provisions *without those costs being paid for — and while failing to reflect those costs in its stated figures*.

Even if one discounts this budget on the assumption that few, if any, of its policies will be enacted this year, it still represents the type of plan that many congressional leaders — and the President — would implement if given the opportunity.

Half of Non-Defense Cuts Would Hit Low-Income Programs

As Table 1 shows, the plan proposes $5.2 trillion in non-defense cuts through 2028. The House Budget Committee allocates the cuts across the budget's various categories (known as "budget functions"). We estimate, based on information from CBO and the House Budget Committee, that programs that provide basic assistance, health care, college aid, job training, and other help to low- and moderate-income individuals and families would absorb roughly half of the $5.2 trillion in non-defense cuts. These cuts would hurt children, people with disabilities, and seniors, among others.

TABLE 1

Non-Defense Spending Cuts Under House GOP Budget

2019-2028, outlays in billions of dollars

	Total
Mandatory programs	**-4,563**
Function 550: Health (Medicaid, Affordable Care Act, etc.)	*-1,534*
Function 600: Income security (SNAP, TANF, SSI, etc.)	*-923*
Function 570: Medicare	*-537*
Function 500: Education, social services, etc.	*-231*
Other specified functions	*-479*
"Improper payments" and other government-wide savings	*-859*
Non-defense discretionary programs (excl. disasters and emergencies)	**-499**
Disasters and emergencies	**-154**
Total non-defense program cuts	**-5,216**

Note: Figures may not add to totals due to rounding. "Functions" are the official categories of spending in the budget. Non-defense discretionary reductions exclude any savings from Overseas Contingency Operations but include outlay savings from cuts to the Highway Trust Fund and "program integrity" funding, both of which are outside the 2011 Budget Control Act's funding caps.

Source: CBPP analysis based on data from the FY 2019 House Budget Committee-approved budget resolution and the CBPP baseline. For more detail on the CBPP baseline, see the Appendix.

Cuts in Mandatory Programs

The House budget plan calls for cutting mandatory programs by $4.6 trillion over ten years (2019-2028) and allocates these cuts across different budget functions. As is typical for a budget resolution, it does not indicate all of the specific program cuts that would be made to achieve these savings. It does highlight some of the cuts that it envisions in a document that Committee Chairman Steve Womack issued prior to committee consideration of the plan; other cuts in particular programs were cited during the committee markup of the budget plan.[1] Our analysis assumes that when the plan's total cuts to a budget function exceed the sum of the cuts in that area that have been specified, the remaining, unspecified cuts would be allocated proportionally across all programs in the budget function. Under those assumptions, we estimate that half of the budget's entitlement cuts would fall on programs assisting low- and moderate-income individuals.

Over the coming decade, the entitlement cuts would include:

- **$1.5 trillion from Medicaid and ACA.** The budget incorporates the ACA repeal bill that the House passed in 2017, which CBO found (at the time the bill was being considered) would cause 23 million people to lose coverage by 2026 and result in less adequate or more expensive coverage for millions more.[2] The bill would effectively eliminate the ACA's

[1] House Budget Committee, "A Brighter American Future: A Balanced Budget for FY 2019," and video of the committee markup are available at https://budget.house.gov/budgets/fy-2019-budget/.

[2] Congressional Budget Office (CBO), "H.R. 1628: American Health Care Act," May 24, 2017, https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/hr1628aspassed.pdf; and "The House-Passed Health Bill Can't Be Fixed," Center on Budget and Policy Priorities, updated May 26, 2017,

Medicaid expansion to low-income adults; increase premiums, deductibles, and other out-of-pocket costs for millions of people with individual market coverage; and restructure Medicaid by imposing a "per capita cap" on federal funding per enrollee, regardless of actual health care costs. The budget also would require all states to take away Medicaid from people not meeting work requirements, cutting the program by another $132 billion, House Budget Committee staff estimate.

- **$537 billion from Medicare.** The budget would raise Medicare's eligibility age from 65 to 67, increase overall deductibles, and replace Medicare's guarantee of health coverage with a flat premium-support payment (or voucher) that beneficiaries would use to help buy either private health insurance or a form of traditional Medicare. Most people remaining in traditional Medicare would pay much higher premiums than under current law, a CBO analysis of similar proposals finds.[3]

- **$157 billion from SNAP.** The budget plan calls for imposing work requirements that would take food assistance away from individuals who are out of work and not in a job training program, in addition to other SNAP cuts that include ending assistance for some working families with high expenses such as for child care. The cuts called for in the budget plan are far deeper than those in the already troubling House-passed farm bill, which would eliminate or reduce food assistance for more than 1 million low-income households with more than 2 million people. And the budget plan also proposes to "increase state flexibility" to achieve some of its SNAP savings, while providing few details; in past GOP budgets, such proposals have included converting SNAP into some type of block grant that would reduce funding steadily over time and eliminate a guarantee of food assistance.[4]

- **$766 billion from other income security programs.** In addition to the SNAP cuts, the budget calls for about $766 billion in entitlement cuts to other federal income support programs. The committee identifies certain specific cuts: in SSI; in TANF (by increasing work requirements); in child nutrition (by limiting the "community eligibility" option, which enables schools in high-poverty areas to provide meals at no charge to all students and be reimbursed based on the poverty level of the school's students); and federal civil service retirement.

  However, the specified policy changes fall well short of the budget's total savings in this area. Substantial further cuts across programs in this function — possibly including the Earned Income Tax Credit and the refundable portion of the Child Tax Credit — would be needed to achieve the targeted amount.

- **$231 billion in education and social services programs, including deep cuts in student aid.** The budget would scale back Pell Grants, which help nearly 8 million students from low- and moderate-income families afford college, by eliminating all mandatory funding for the program. This would cut the maximum Pell Grant from $6,095 in the 2018-2019 school year

https://www.cbpp.org/research/health/the-house-passed-health-bill-cant-be-fixed. Note that this estimate of 23 million people losing coverage includes the impact of repealing the individual mandate, which was subsequently enacted as part of tax-cut legislation at the end of 2017.

[3] Congressional Budget Office, *A Premium Support System for Medicare: Updated Analysis of Illustrative Options*, October 2017, p. 9, https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53077-premiumsupport.pdf.

[4] Dorothy Rosenbaum, "House Budget Targets SNAP for Cuts," Center on Budget and Policy Priorities, July 20, 2017, https://www.cbpp.org/blog/house-budget-targets-snap-for-cuts.

to $5,035, unless — as Republican staff suggested during committee consideration of the budget — the Appropriations Committee offset the repeal of mandatory funding through higher discretionary funding for Pell. But this seems highly unlikely, since the budget plan sharply *cuts* overall funding for non-defense discretionary programs over the decade (see the discussion of non-defense discretionary funding below). The budget accompanies its Pell Grant cuts with very deep, though largely unspecified, cuts to student loans; significant savings can be achieved in student loans only by increasing costs to students. In combination, the Pell Grant and student loan reductions would make it more expensive — and thus more difficult — for young people to attend college.[5]

The House budget would also eliminate the Social Services Block Grant (SSBG), which helps states provide services to their most vulnerable populations, cutting $17 billion over the decade. SSBG provides funding for adult day programs for frail seniors and people with disabilities, homeless assistance services, child care, and services for children who are abused, neglected, or at risk of mistreatment, among others.

- **$745 billion in "improper payments."** The budget offers no specific proposals to reduce improper payments, instead calling for a commission to make recommendations to achieve the claimed savings. Given the long history of past budgets that claimed large savings through cutting "waste, fraud, and abuse" only to have those savings prove illusory, chances of these savings materializing are remote. If they did materialize, much of the savings would likely come through cutting benefits and eligibility, not rooting out erroneous payments.[6] (CBO's analysis of the President's 2019 budget, which claimed $151 billion in savings over the decade from reducing improper payments, concluded that the Administration's proposal could not be counted on to produce *any* savings.[7]) Reinforcing the view that these large mandatory savings are more of a budget gimmick than a serious proposal, the budget would *eliminate* the additional funding currently allowed outside the funding limits (or "caps") on non-defense discretionary programs to support program integrity activities, which aim to reduce improper payments.[8]

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5 The student loan savings would come from both loans to low- and moderate-income students and unsubsidized loans to middle- and higher-income students. For this reason, our figure for the overall cut in low-income programs excludes cuts to student loans.

6 Rooting out true waste, fraud, and abuse is desirable. But securing *large* savings by reducing improper payments is very difficult for several reasons. A large number of improper payments actually are proper payments that lack sufficient documentation; in these cases, improving compliance through more documentation doesn't result in savings. In addition, some improper payments are underpayments, not overpayments, so reducing them will *increase* federal spending. Moreover, improper payments are generally hard to identify before the fact, and doing so usually requires devoting substantial administrative resources to such efforts — resources that the House budget plan likely would shrink rather than augment, given its steep overall cut in non-defense discretionary programs, which include basic governmental operations. Finally, programmatic changes necessary to root out improper payments can be difficult to design without risking adverse effects on individuals and families that are indeed eligible for the programs.

7 CBO, *An Analysis of the President's 2019 Budget*, May 24, 2018, https://www.cbo.gov/publication/53884. If one assumes that the House GOP cuts to improper payments, as well, are largely illusory and should not be counted, the total non-defense program cuts would drop to $4.2 trillion. Low- and moderate-income programs would still constitute half of the cuts.

8 Existing program integrity activities are funded through non-defense discretionary appropriations; we therefore reflect the budget plan's elimination of this funding within cuts to NDD programs in Table 1.

- **$593 billion in cuts in other budget functions.** The budget includes more cuts in other functions, such as Commerce and Housing Credit, Veterans Affairs, and Natural Resources. These cuts are largely unspecified; none of them are expected to affect low-income programs.

Reconciliation Instructions for Entitlement Cuts

The budget plan also puts in place a fast-track reconciliation process, calling for congressional committees to produce legislation by September 14 that would generate at least $302 billion in entitlement cuts over ten years. Reconciliation bills are not subject to a Senate filibuster, so the Senate could pass these cuts with only a simple majority. Under reconciliation rules, the $302 billion target is a *floor* for the required cuts, not a ceiling; the cuts could end up being deeper.

The plan charges 11 House committees with designing and reporting the $302 billion in entitlement cuts. The largest figure, accounting for $150 billion in cuts, applies to the Ways and Means Committee, which has jurisdiction over much of the ACA, Medicare, and programs in the "income support" budget function, such as TANF, SSI, and the EITC.[9] Other committees that oversee low-income programs and are charged with designing components of the reconciliation legislation include Energy and Commerce (with jurisdiction over Medicaid), Education and Workforce (with jurisdiction over Pell Grants and student loans), and Agriculture (with jurisdiction over SNAP).

Cuts in Non-Defense Discretionary Programs

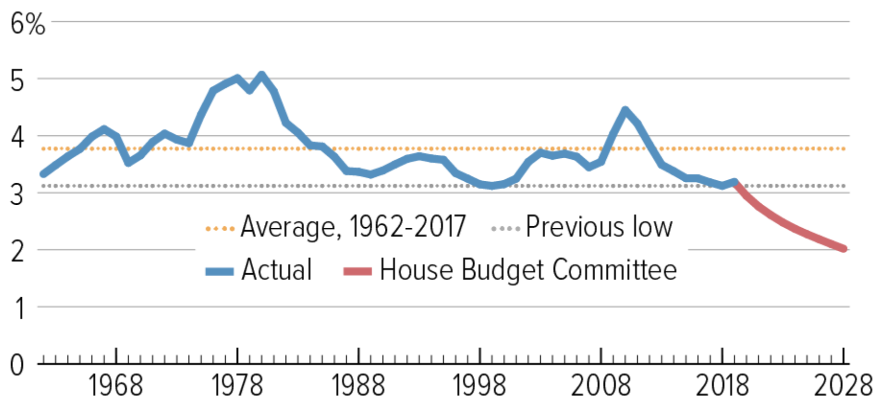
The House Budget Committee plan also proposes deep cuts in non-defense discretionary (NDD) programs, the budget category that funds education, job training, medical research, environmental protection, highways and mass transit, and other investments that can lead to greater economic growth and higher living standards. Spending on these programs is already near historically low levels, measured as a percent of the economy (see Figure 1), and the budget's proposed cuts would take NDD spending to its lowest level since the Hoover Administration by the end of the decade.

[9] The reconciliation directive tells various House committees to "reduce the deficit" by a specified amount. The Ways and Means Committee instruction could be used to make tax changes, including extending expiring provisions of the 2017 tax law or deepening its cuts, as long as the net deficit reduction achieved by the policies is at least $150 billion over ten years.

FIGURE 1

House Budget Committee Budget Calls for Deep Cuts in Non-Defense Discretionary Spending

Spending as a percent of gross domestic product



Note: Data available only back to 1962.

Source: CBPP based on House Budget Committee, Office of Management and Budget, and Congressional Budget Office data

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As shown in Table 1, the House budget would reduce NDD spending (excluding spending for natural disasters and emergencies) by $499 billion over ten years. These cuts include three pieces: reductions in NDD programs subject to the 2011 Budget Control Act (BCA) caps; reductions in Highway Trust Fund expenditures; and elimination of program integrity funding.

- The bulk of the plan's NDD savings would come from sharply reducing NDD funding that's subject to the BCA caps. While it would stick to the recent bipartisan deal for 2019 funding, it would return to the BCA caps (as reduced by sequestration) in 2020 and 2021 and then freeze NDD funding in nominal terms at the 2021 level for the rest of the decade. The result would be a $408 billion ten-year funding cut,[10] compared to the level of funding that would occur under the so-called "current-law" baseline. (The current-law baseline assumes NDD funding levels at the BCA caps in 2019, then returning to the sequestration-reduced BCA cap levels in 2020 and 2021, and then growing with inflation thereafter.[11]) The cut from the inflation-adjusted 2019 funding level would be far greater.

  Congress in recent years has increased funding for NDD above the BCA's sequestration-reduced levels because it found that the post-sequestration funding levels were too low to meet critical national needs. Yet, by sticking with the BCA caps, the budget would cut NDD funding in 2020 well below the 2019 funding level — an 11 percent reduction, when the

[10] The $408 billion reduction in funding (or budget authority) produces spending (or outlay) savings of roughly $320 billion through 2028, because funding for some programs can take several years to spend out.

[11] Both the CBPP and CBO baselines follow this approach.

effects of inflation are also taken into account. And under the budget, the NDD cut would grow over time, reaching 25 percent by 2028, relative the inflation-adjusted 2019 level. (The 2019 level itself is below the 2010 level, after adjusting for inflation.)

- The budget also reflects large spending reductions from the Highway Trust Fund.[12] Similar to past GOP budgets, it limits annual highway spending to the revenues flowing into the trust fund, rather than maintaining highway spending at the current program level (which itself is inadequate to meet the nation's infrastructure needs). This policy would reduce spending on highways and mass transit by about $160 billion over ten years.
- And the budget would eliminate the $19 billion in ten-year spending for existing program integrity activities. This funding is used to combat Medicare fraud and to conduct periodic reviews to ensure that recipients of Social Security disability benefits remain sufficiently disabled to qualify. It isn't subject to the non-defense discretionary BCA caps because program integrity activities are expected to generate savings in the entitlement programs that exceed the discretionary cost of these activities.

Finally, the budget saves $154 billion over ten years by failing to set aside *any* funds for future disasters and emergencies.[13] This is basically a budget gimmick intended to make projected deficits look smaller on paper than they are actually likely to be.

Defense Increases

While sharply cutting non-defense programs, the House budget would increase defense. It adheres to the recent bipartisan deal's defense funding level for 2019. It then increases defense funding by about $750 billion above the current-law baseline levels[14] over the next nine years. Measured relative to the inflation-adjusted 2019 level, however, the increase would be much smaller. In fact, because the increases taper off later in the decade, the 2028 funding level would actually be 8 percent below the 2019 funding level, adjusted for inflation.

In addition, the budget would phase out funding for Overseas Contingency Operations (OCO), which is exempt from the BCA caps and is intended to cover costs associated with operations in Afghanistan, Iraq, and other trouble spots. The budget includes $77 billion for OCO in 2019, consistent with the recent bipartisan deal, and gradually reduces OCO funding to $12 billion in 2023 and then eliminates it altogether by 2026.[15]

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[12] Although spending from the Highway Trust Fund is classified as NDD spending, *funding* for these programs is not subject to the BCA caps.

[13] The savings are measured relative to the CBPP baseline, which assumes a lower level of spending on disasters and emergencies than the CBO baseline. See the Appendix for more details.

[14] As with non-defense discretionary, these defense discretionary savings are measured relative to CBPP baseline estimates that (like CBO baseline estimates) reflect the funding levels constrained by the BCA caps as reduced by sequestration through 2021, and then growing with inflation thereafter. The reduction in funding (or budget authority) of about $750 billion over ten years produces spending (or outlay) savings of about $730 billion through 2028, because funding for some programs can take several years to spend out.

[15] These reductions in OCO funding would reduce OCO outlays by $619 billion over ten years. A very small portion of OCO funding is typically for the State Department (which is considered non-defense), but the non-defense share was not specified in the resolution, and so no non-defense OCO cut is reflected in Table 1.

Additional Tax Cuts

The House budget plan retains the tax cuts enacted in 2017, which will cost $1.9 trillion between 2018 and 2027 and disproportionately help those at the top of the income spectrum. In 2025, when the tax law will be fully phased in (and before many provisions are scheduled to expire), it will boost after-tax incomes of households in the top 1 percent by 2.9 percent, or roughly triple the 1.0 percent gain for households in the bottom 60 percent, according to the Tax Policy Center.

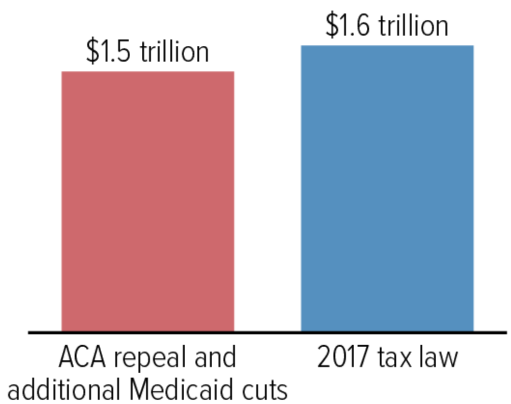
The tax cuts' cost and upward tilt are especially striking when compared with the House budget plan's program cuts. For instance:

- Between 2019 and 2028 (the period covered by the House budget plan), the tax cuts will cost roughly $1.6 trillion, according to CBO. Over that same period, the budget proposes to cut $1.5 trillion from Medicaid and ACA tax credits, health programs that serve only low- and moderate-income households. (See Figure 2.)
- Similarly, the tax law's net corporate tax cuts, including the sharp cut in the corporate rate from 35 percent to 21 percent, will cost about $320 billion between 2019 and 2028. The budget would cut SNAP, Pell Grants, and student loans by roughly $370 billion over that period. While the corporate tax cuts will largely benefit well-off shareholders and top corporate managers, these program cuts would mostly harm low- and middle-income families.

FIGURE 2

Savings from House Budget Committee's ACA Repeal and Other Medicaid Cuts Nearly Equal Cost of 2017 Tax Law

2019-2028



Note: ACA = Affordable Care Act. The House Budget Committee approved the Republican budget resolution for fiscal 2019 on a party-line vote on June 21.

Source: House Budget Committee and Congressional Budget Office

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Such comparisons illustrate what other analyses have shown: the tax law could leave most households worse off once it is paid for. The Tax Policy Center (TPC) recently found that nearly all households in the bottom 60 percent of the income spectrum (those with income below $86,100) would end up net losers once the cost of the tax cuts is offset, as they would lose more from the program cuts enacted to pay for the tax cuts than they would gain from the tax cuts themselves. On the other hand, TPC finds that most high-income households would be net winners.[16]

[16] Brendan Duke, "TPC: 2017 Tax Law Could Leave Most Low- And Middle-Income Families Worse Off," June 20, 2018, https://www.cbpp.org/blog/tpc-2017-tax-law-could-leave-most-low-and-middle-income-families-worse-off. These estimates are based on TPC's scenario in which each household pays an equal dollar amount each year to finance the tax cut. As TPC

Further, the House budget plan opens the door to *another* set of costly, regressive tax cuts by granting procedural protections for any bill extending the 2017 tax law's expiring provisions, regardless of whether those costs are offset.[17] CBO estimates that extending those provisions — which include all of the law's individual tax-cut provisions that expire after 2025 — would cost *$771 billion* through the end of the decade. Proponents of these additional tax cuts present them as middle-class tax cuts, but in reality, they are regressive (like the 2017 tax cuts), delivering far larger tax cuts to the wealthy than to the bottom or middle.[18]

Rosy Economic Assumptions

In addition to the program cuts discussed in this analysis, the House budget claims additional deficit reduction by incorporating a considerably rosier economic outlook than CBO forecasts. Its supporting document asserts that its policies and Trump Administration regulatory changes would yield an average growth rate of 2.6 percent over ten years, compared with CBO's projected growth rate of 1.8 percent. From this additional growth, the budget claims *an additional $1.7 trillion in deficit reduction over the decade.*

CBO typically finds that significant deficit reduction can yield positive economic feedback effects over the long term, but the gains are far smaller than what the House has claimed. Further, CBO's projections already incorporate the economic effects of the 2017 tax law, which CBO found to be modest. The House budget provides no credible evidence to justify its claims for much stronger economic growth from either the budget's proposals or Administration regulatory policies; those claims only serve to artificially reduce the budget's estimated deficits.

Conclusion

Our nation faces serious fiscal challenges, with the aging of the baby boom generation and a growing list of unmet needs, from repairing decaying infrastructure to making child care more affordable for working families to addressing large shortages of affordable housing. Many supporters of the House Budget Committee's budget — which purports to reach balance in 2027, based in part on its rosy economic assumptions — will claim that it is evidence of their fiscal responsibility. But it is not fiscally responsible to increase deficits through tax cuts that largely benefit the most well-off and then call for massive cuts in most other parts of the budget, including education, health care, assistance to low-income children and families, job training, environmental protection, and scientific research. This budget would leave our nation less prepared for the economic and other challenges that lie ahead.

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explains, this is the scenario that "closely resembles recent Administration and Congressional budget proposals to cut entitlement spending."

[17] Though the budget facilitates the passage of additional (and potentially unpaid-for) tax cuts, its tables show no change in revenue compared to the CBO baseline.

[18] Chye-Ching Huang, "Permanent Extension Would Double Down on 2017 Tax Law's Fundamental Flaws," CBPP, May 2, 2018, https://www.cbpp.org/blog/permanent-extension-would-double-down-on-2017-tax-laws-fundamental-flaws.

Appendix: CBPP Budget Projections

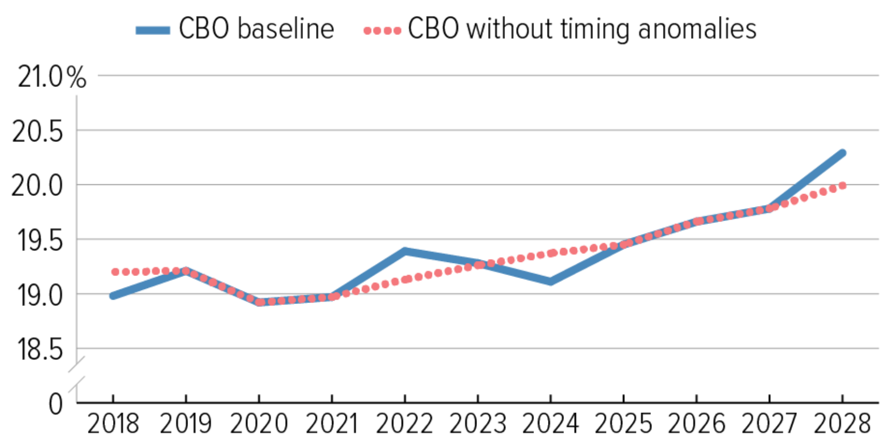
This analysis compares the House Budget Committee-approved fiscal year 2019 budget resolution to the CBPP budget projections for the coming decade, which we calculate by starting with CBO's baseline projections of May 24, 2018,[19] and then making the following two changes.

First, we remove certain timing anomalies from CBO's spending projection. Some programs — e.g., Medicare Part C; Supplemental Security Income (SSI); and Veterans' Compensation and Pensions — accelerate their monthly payments by a few days if the payments would otherwise fall on a weekend. And October 1, the start of the federal fiscal year, sometimes falls on a weekend. So in some fiscal years there are 11 or 13 "monthly" payments, distorting the year-to-year path of program expenditures,[20] deficits, and debt. We smooth the path by assuming 12 such payments each year. (See Figure 3.)

FIGURE 3

Projected Federal Spending, With and Without Timing Anomalies

As percent of GDP



Note: Timing anomalies refer to the fact that some programs accelerate their monthly payments by a few days if the payments would otherwise fall on a weekend, so in some fiscal years there are 11 or 13 "monthly" payments. CBO=Congressional Budget Office. Includes Social Security and Medicare.

Source: CBPP analysis of Congressional Budget Office data

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[19] See Tables 1 and 6 in CBO, "An Analysis of the President's 2019 Budget," May 2018, https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53884-apb2019.pdf. The House Budget Committee used an earlier, unpublished version of CBO's ten-year projection (which also differed from CBO's initial publication of April 9). As a result, a tiny amount of the dollar changes in our analysis reflects changes between CBO's intermediate and final projections.

[20] Setting aside the timing shifts that exist under current law is akin to shifting program outlays by only a day or two, and thus does not materially alter the days on which the Treasury borrows to finance the expanding debt. For that reason, smoothing does not alter the payments of interest on the debt.

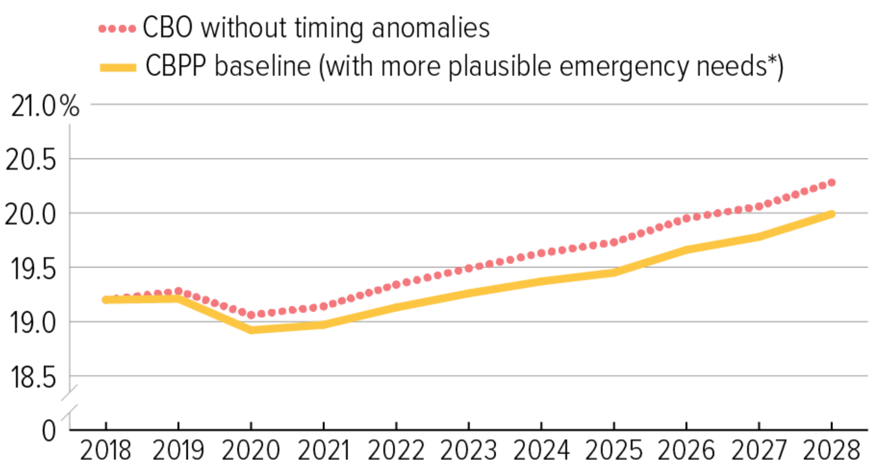
Fiscal year 2018 has 11 such "monthly" payments and 2028 has 13. Without this smoothing, 2018 program expenditures would be artificially low by $44 billion and 2028 program expenditures would be artificially high by $89 billion. The House Budget Committee smooths projected spending just as we do, so none of the changes we attribute to the budget plan in Table 1 are affected by smoothing.

Second, CBO assumes that discretionary funding for natural disasters will grow with inflation for ten years, following formal baseline rules. But fiscal year 2018 disaster funding was quite high because of last summer's hurricanes. So we reduce projected disaster funding to a level akin to a "statistical likelihood," using alternative figures supplied by CBO. CBO's alternative projects that annual emergency funding for natural disasters will equal its average annual levels in 2012-2017, all adjusted for inflation. This knocks $657 billion off CBO's ten-year deficit and debt. It reduces "disaster and emergency" expenditures by $577 billion over ten years. (See Figure 4.) It also reduces interest payments by $80 billion.

FIGURE 4

Projected Federal Spending, With and Without Adjusting Emergency Funding

As a percent of GDP



*Assumes that annual emergency non-defense discretionary funding for natural disasters will equal its average annual levels from 2012 through 2017, all adjusted for inflation.

Note: Timing anomalies refer to the fact that some programs accelerate their monthly payments by a few days if the payments would otherwise fall on a weekend, so in some fiscal years there are 11 or 13 "monthly" payments. CBO=Congressional Budget Office. Includes Social Security and Medicare.

Source: CBPP analysis of Congressional Budget Office data

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As mentioned in the analysis, the House budget plan assumes *no* funding for disasters and emergencies over the coming decade, reducing spending $154 billion below our ten-year projection. Measured from CBO's artificially high projection, the assumption of no future disasters or emergencies would reduce spending by $731 billion over the decade.