
Greenstein: Harsh House GOP Budget Resolution Asks Most from Those Who Have Least

House Budget Committee Chair Diane Black's new proposed House budget resolution, which provides both a framework for budget and tax legislation to follow this year and a broader fiscal policy blueprint for the next ten years, lays out an exceedingly harsh vision for the nation. It would cause pain to tens of millions of Americans, especially struggling families and others who have fallen on hard times, and would cut deeply into areas important to future economic growth, from education to basic scientific research. It would do so while opening the door for tax cuts geared toward those who already are the most well off.

While some details remain unclear, the budget plan would:

- Cut \$4.4 trillion over ten years from entitlement programs, including cuts to Medicaid and Medicare, income assistance for working-poor and other struggling families, basic food assistance, and assistance for students to go to college. These cuts would make it harder for millions of Americans to afford food, housing, health care, and a college education.
- Cut \$1.3 trillion over the next decade from non-defense discretionary (NDD) programs, a number of which promote opportunity, provide building blocks for economic growth, or fund basic public services. NDD includes programs such as job training and education, scientific and medical research, environmental protection, basic operations of the Social Security system, and efforts to protect public health. Overall funding for this part of the budget has already fallen significantly since 2010, due to the Budget Control Act's (BCA's) caps on discretionary programs and sequestration cuts. But this budget would slash it much further. By 2027, total NDD funding would be *44 percent below its 2010 level*, after adjusting for inflation, and — measured as a share of the economy — spending on this area of the budget would fall to its lowest level *since before the Great Depression*.
- Increase defense funding by \$72 billion in 2018 and \$929 billion over the next decade, as compared to BCA levels, and provide \$19 billion more in 2018 than the already hefty defense increase the Trump budget seeks. (The budget resolution also provides \$10 billion in additional Overseas Contingency Operations funding for defense beyond what the Trump Administration requested in 2018; these funds don't count toward the defense cap.)
- Use the budget reconciliation process both to fast-track at least \$203 billion in entitlement cuts over the next ten years and to pave the way for large-scale tax legislation that features substantial tax cuts. In addition, the Budget Committee documents make clear that the congressional committees charged with producing savings in entitlement programs should strive to cut *more* than the amount required, and it calls for *deficit*-neutral tax reform — not *revenue*-neutral tax reform — which would permit

deeper cuts in entitlement programs serving low- and middle-income families to be used to finance tax cuts.

- Use both rosy economic assumptions and massive “magic asterisks” (i.e., unspecified savings) to mask the plan’s true fiscal impacts. These include (1) assumptions that the tax plan will be largely offset despite the failure to provide *any* concrete plan for doing so — the past House “Better Way” tax plan would cost about \$3 trillion over the next decade while the details of the Trump tax plan released so far suggest a cost about double that; (2) an assumption that the budget plan would result in significantly higher economic growth than the Congressional Budget Office (CBO) projects, and then appears to allow \$300 billion of the resulting \$1.8 trillion “economic bonus” to be used to offset the cost of tax cuts; and (3) an assumption that Congress would achieve \$700 billion in savings from reducing improper payments, again with no concrete plan for how these savings would be achieved and despite strong evidence that savings of that magnitude have almost no chance of being identified and secured.

While the budget claims to achieve balance in 2027, this is an artifact of these gimmicks. Absent just the unrealistic economic growth assumptions, the budget would produce a \$351 billion deficit that year, instead of the purported surplus of \$9 billion.

The budget plan is broadly similar in direction and theme to President Trump’s budget: cutting trillions of dollars from basic assistance, health programs, and core investments in our economy; promising both big tax cuts and so-called deficit-neutral “tax reform” without providing any specifics for how those tax cuts would be paid for; and relying on rosy economic assumptions to show a balanced budget by 2027 *on paper*.

As a statement of a fiscal vision for the nation, the plan is exceptionally harsh: its steep cuts in entitlement and non-defense discretionary programs would hit low- and moderate-income families hard and disinvest in areas important for long-term economic growth. This vision is broadly similar to that reflected in House Republican budgets put forward since 2011.

Those budgets, however, were essentially messaging documents. Those who voted for them knew that President Obama would prevent that vision from being turned into law. But as Rep. Black acknowledges in her materials, this budget plan is a *governing* document — because with Republican control of the House, Senate, and White House, they now can enact legislation to implement it.

In short, this is not a fiscal blueprint that will aid struggling families, bolster communities left behind, or help more Americans have a shot at the American dream. It’s a blueprint that asks the most from those who have the least and would leave us a coarser nation and one less prepared for future economic challenges.

Entitlement Cuts Would Be Severe

The budget resolution calls for a total of \$4.4 trillion in cuts to entitlement programs over the next decade. While the plan lacks sufficient detail to determine the precise level of cuts in particular programs, it’s clear that the plan includes large cuts in many areas, including the following:

- **Health care**, including both Medicaid and Medicare despite prior commitments by Rep. Black that Medicare would not be cut. Overall funding for “Medicaid & other programs” — as the category is listed in the budget materials — would be cut by \$1.5 trillion over the decade, while Medicare would

be cut by \$487 billion over the decade. The cuts in Medicaid and other health programs appear to be larger than those in the House-passed bill to repeal the Affordable Care Act (ACA).

- **Income assistance**, which could include cuts to programs such as SNAP (formerly known as the Food Stamp Program), Supplemental Security Income (which provides aid to poor seniors and people with serious disabilities), the Earned Income Tax Credit, the component of the Child Tax Credit for working-poor families, and Temporary Assistance for Needy Families (which provides funding to states for cash assistance to very poor families, employment programs, and child care).
- **Student aid**, which appears to include deep cuts in the Pell Grant program and student loans.

The budget plan also puts in place a fast-track reconciliation process to achieve the first tranche of these cuts through legislation this year. The budget calls for congressional committees to produce *at least* \$203 billion in “reconciled” entitlement cuts in the months ahead (this is a floor, not a ceiling). These cuts would be “fast-tracked,” with Congress able to pass them with only a simple majority in the Senate — i.e., without any Democratic votes — using the same process that GOP leaders have been using to try to undo the ACA.

The budget plan requires a number of committees to come up with these cuts, including committees with jurisdiction over programs important to low- and moderate-income families, such as the Ways and Means Committee (which has jurisdiction over a number of income-assistance programs as well as a portion of Medicare), the Agriculture Committee (with jurisdiction over SNAP), the Energy and Commerce Committee (with jurisdiction over Medicaid and part of Medicare), and the Education and the Workforce Committee (with jurisdiction over Pell Grants and student loans).

NDD Programs Hard Hit

The budget resolution calls for severe cuts in NDD programs, which would grow extraordinarily deep over the course of the decade.

- The resolution would cut funding for NDD by \$1.3 trillion over the next decade — that is, \$1.3 trillion below the already austere BCA levels (including the sequestration cuts) through 2021, and with those levels adjusted only for inflation in years after that.
- Funding for NDD in 2018 would be 17 percent below the 2010 levels adjusted for inflation.
- By 2027, funding for NDD would be a remarkable 44 percent below the 2010 levels adjusted for inflation.

The budget resolution puts NDD on a path to be a lower share of GDP than at any time since before the Great Depression. At these funding levels, many core public services would be severely impaired or eliminated.

Fast-Track Process on Taxes

The budget resolution would create a fast-track process to enact a tax bill that the resolution indicates should prioritize policies such as cutting individual and corporate tax rates, providing a special lower tax rate for “pass-through” businesses, and repealing the Alternative Minimum Tax — changes that would produce disproportionate tax cuts for the top of the income scale and large, profitable corporations.

These changes are consistent with the House GOP’s “Better Way” tax plan released in June 2016. Once that plan was phased in fully, 96 percent of its tax cuts would go to households with incomes above \$1 million a year, the Tax Policy Center estimates.

The budget also includes a highly unrealistic assumption that economic growth will average 2.6 percent a year over the decade, producing an assumed \$1.8 trillion in lower deficits (largely from higher revenues and lower interest costs), with \$1.5 trillion of that amount applied to the budget plan’s deficit reduction on paper and the remaining \$300 billion assumed to be available to help pay for the tax cuts.

The plan thereby gives the tax bill a \$300 billion “head start” that wouldn’t need to be offset, while (as noted) allowing harsh spending cuts to be used to offset part or all of the remainder of the tax bill’s potentially large cost.

Program Integrity Savings Unlikely to Materialize

The budget resolution assumes \$700 billion in highly questionable savings from reducing improper payments. These savings are unlikely to materialize, and the budget resolution puts forward no plan for securing them. Claiming savings by reducing “waste, fraud, and abuse” is one of the oldest budget gimmicks in the books. CBO concluded that President Trump’s less ambitious, but still unrealistic (and wholly undefined) plan to reduce improper payments by \$139 billion over the next decade could not be counted on to produce any savings at all.

Securing very large savings by reducing improper payments is extremely difficult for a number of 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, improper payments are generally hard to identify before the fact, and doing so usually requires devoting substantial administrative resources to such efforts — resources that under the House budget plan likely would be cut, rather than augmented. Furthermore, programmatic changes necessary to root out improper payments can be difficult to design without risking adverse effects on honest individuals and families or on companies that do business with the government. These factors limit the savings that can be achieved, a reality to which CBO and Joint Committee on Taxation estimates have long attested.

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