
Updated February 20, 2020

2021 Trump Budget Would Increase Hardship and Inequality

By Paul N. Van de Water

President Trump's 2021 budget, released today, would increase the ranks of the uninsured, severely cut basic assistance for low-income families, and cut an array of other non-defense programs, while investing relatively little in our nation's infrastructure. At the same time, it would permanently extend the 2017 tax law's costly tax cuts for individuals, including those for high-income taxpayers. Together, the proposed program changes and tax cuts would increase income disparities and widen inequality across racial and ethnic lines.

1. The Administration's efforts to repeal the Affordable Care Act (ACA) would leave millions more Americans without adequate health coverage and eliminate protections for people with pre-existing conditions. The Administration, along with 18 state attorneys general, is urging the courts to strike down the ACA. The President has also pledged to pursue ACA repeal legislation in 2021 if Republicans control Congress, regardless of whether the ACA is overturned in court. The budget does not outline any health care plan, but the numbers in the budget shed some light on where the President would take the health insurance system.

The budget proposes \$1 trillion in cuts to Medicaid and the ACA over ten years, with the cuts growing over time. That amount includes \$844 billion in reductions labeled an "allowance for the President's health reform vision" and additional cuts in Medicaid. While the budget provides almost no explanation for most of the cuts in the allowance, the policies it does specify would lead to very large losses in health coverage:

- The budget would eliminate the ACA's enhanced federal matching funding for the ACA's expansion of Medicaid coverage to low-income adults. That would very likely lead states to end Medicaid coverage for most of the 13 million people who secured it due to the expansion.
- The budget would require all states to take Medicaid coverage away from adult Medicaid enrollees not meeting work requirements, a policy that would apply to millions of people in addition to those covered through the expansion.

Moreover, the Administration's efforts to repeal the ACA would, if successful, eliminate the ACA's bar against discrimination based on pre-existing conditions, as well as the ACA's requirement that health plans cover essential health benefits like maternity coverage and prescription drugs. The budget includes no proposals addressing protections for people with pre-existing conditions, leaving the Administration's stance in the lawsuit as its only clear position on the issue.

Although the budget touts its proposals to end the opioid epidemic, other proposals in the budget would make that goal much more difficult to achieve. In particular, ending or significantly scaling back the Medicaid expansion would significantly reduce access to an important source of treatment for substance abuse and other mental health conditions.

2. The budget proposes harsh cuts in programs that meet families' basic needs. These proposals would increase poverty and hardship. Specifically, the budget proposes legislative changes that would:

- Cut SNAP (formerly food stamps) by \$182 billion (nearly 30 percent) over ten years;
- Cut basic assistance for some people with disabilities that's provided through Social Security Disability Insurance and Supplemental Security Income;
- Reduce support for families with children experiencing poverty by cutting the Temporary Assistance for Needy Families (TANF) program by \$21 billion over ten years;
- Eliminate the Social Services Block Grant, which provides flexible funding to states for services such as child care, day programs for seniors and people with disabilities, and services for homeless individuals and families; and
- Cut 2021 funding for public housing 43 percent below its 2020 level, while also eliminating housing vouchers for 160,000 low-income households and eliminating the National Housing Trust Fund as well as the HOME Investment Partnerships, Community Development Block Grant, and Choice Neighborhoods programs.

After failing to secure changes like these through legislation, the Administration increasingly has looked to the regulatory process to achieve these goals. Over the past year, for instance, the Administration has proposed or finalized three SNAP rules that, by its own estimates, would cut SNAP by nearly \$50 billion over ten years and would end basic food assistance benefits for 3 to 4 million people and shrink them for about 6 to 7 million others. In housing, it has issued rules that would weaken community efforts to enable households to secure housing free from discrimination, while making it much harder to fight local housing policies that restrict housing access. In addition, it has proposed a rule that could cause tens of thousands of disability beneficiaries, particularly older workers with limited skills and education, to lose their benefits, and it reportedly is drafting a new rule that would make it more difficult for such workers to qualify for disability benefits in the first place. These rules would increase poverty and hardship and leave many Americans unprotected, or more weakly protected, from discriminatory practices.

3. The budget would deeply cut non-defense discretionary programs over the next ten years. The Bipartisan Budget Act of 2019 set new, higher limits on total defense and non-defense discretionary (NDD) appropriations for 2020 and 2021. The Trump budget walks away from the agreement's NDD funding level for 2021, instead proposing significant cuts, and proposes further

large cuts over the rest of the decade. NDD programs encompass a wide range of activities — from education to environmental protection, low-income housing assistance, national parks, international affairs, and scientific research.¹

The budget proposes to cut 2021 NDD funding by \$51 billion below the level in last year’s agreement and by \$46 billion below the 2020 appropriated level. That’s 7 percent below 2020 in nominal terms and 9 percent when adjusted for inflation. Two factors will slightly alleviate the pressure on spending for 2021: the needs of the Census Bureau will decline after the decennial census, and fee income from federal mortgage insurance agencies (which offsets appropriated funds) is expected to grow. But the rising cost of veterans’ medical care will require additional funding, leading to deeper cuts in other programs, especially given the budget’s proposed increases for NASA and some other areas. The budget would cut the Department of Health and Human Services by 11 percent, the Department of Housing and Urban Development by 24 percent, and the Environmental Protection Agency by 28 percent, after adjusting for inflation.

After 2021, the budget proposes to cut NDD funding by another 2 percent every year, resulting in a cumulative cut of 38 percent by the tenth year, after inflation. At 3.3 percent of the economy (gross domestic product or GDP) in 2020, NDD is already near the lowest level on record, with data back to 1962. Under the President’s budget, NDD spending would shrink by 2030 to 1.6 percent of GDP — a level not seen since Calvin Coolidge was president nearly 100 years ago.

4. The Administration’s infrastructure package falls well short of need. The budget proposes what it describes as a \$1 trillion plan for investment in infrastructure over ten years, but makes clear that this is mostly *existing* funding. While it proposes \$190 billion in one-time funding in 2021 for a new infrastructure initiative, the rest of that \$1 trillion mostly reflects the continuation of current funding levels. The budget also proposes *cuts* in various other programs that fund infrastructure, such as the Army Corps of Engineers and support for highway, mass transit, airport, and port infrastructure provided through discretionary appropriations. As a result, the overall increase in infrastructure funding would be quite modest, especially relative to need.

5. The budget’s tax cuts and program changes would increase income inequality and widen racial disparities. The budget would permanently extend the 2017 tax law’s tax cuts for individuals, including those that confer large benefits on high-income taxpayers and heirs to multi-million-dollar estates. Most of the individual income tax cuts are scheduled to expire at the end of 2025; extending them would cost \$1.4 trillion through the end of the decade.

The Administration reportedly is also preparing a new tax cut proposal, dubbed “Tax 2.0.” Treasury Secretary Steven Mnuchin has said it will include “incentives to stimulate economic growth,”² language that has often been used to promote tax-cut measures oriented toward those on the upper rungs of the income ladder and large corporations. But the Administration isn’t expected to unveil the details of Tax 2.0 until later this year, and this proposal isn’t in the budget.

¹ *Policy Basics: Non-Defense Discretionary Programs*, Center on Budget and Policy Priorities, August 12, 2019, <https://www.cbpp.org/research/federal-budget/policy-basics-non-defense-discretionary-programs>.

² Andrew Soergel, “Steven Mnuchin Confirms Trump’s New Tax Plan Is Imminent,” *U.S. News & World Report*, January 23, 2020, <https://www.usnews.com/news/economy/articles/2020-01-23/trumps-new-tax-plan-is-imminent-steven-mnuchin-confirms>.

Together with the budget's proposed cuts in Medicaid, SNAP, TANF, and low-income discretionary programs, these tax cuts would worsen income inequality. Moreover, because of historical and ongoing discrimination and unequal educational opportunities, households of color would lose disproportionately from this combination of tax cuts and program cuts, which would shift resources to those who already have high incomes, substantial wealth, or both. The biggest winners from the 2017 tax law were non-Hispanic white households in the top 1 percent, who are receiving more tax-cut dollars from it than the bottom 60 percent of households of all races combined.³

³ Roderick Taylor, "ITEP-Prosperity Now: 2017 Tax Law Gives White Households in Top 1% More Than All Races in Bottom 60%," Center on Budget and Policy Priorities, October 11, 2018, <https://www.cbpp.org/blog/itep-prosperity-now-2017-tax-law-gives-white-households-in-top-1-more-than-all-races-in-bottom>.