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Inefficient, Ineffective, Irresponsible: A TRUMP BUDGET

Summary and Analysis of the President's Budget for 2019

The President's budget for 2019 provides a revealing insight into the Administration's values. After spending last year working with Congressional Republicans to enact an extremely irresponsible tax cut that mostly benefits people who already have a lot of wealth and power, the Administration has produced a budget with damaging spending cuts that will hit working families hard for years to come.

Sinks nation into deficits nearing $1 trillion a year while top 1 percent celebrates its tax cuts — This budget clearly shows that tax cuts do not pay for themselves. The budget shows a deficit of $984 billion for 2019, with deficits continuing to hover near $1 trillion for several years and adding up to $7 trillion over ten years. This is a significant deterioration from the fiscal picture presented in the President's 2018 budget just last May, and this is before accounting for the fiscal effects of the recent bipartisan agreement to raise the caps on discretionary spending. While several factors cause budget forecasts to change over time, the $1.5 trillion GOP tax giveaway to billionaires and corporations plays a major role in this fiscal decline. Also buried in the budget's deficit projections is $0.6 trillion to extend provisions of the tax law that expire after 2025.

President's 2019 Budget Totals
(In billions of dollars)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-2028
Receipts	3,422	3,609	3,838	4,089	4,386	4,675	4,946	5,231	5,506	5,818	45,520
Outlays	4,407	4,596	4,754	4,941	5,160	5,348	5,526	5,748	5,955	6,181	52,615
Deficit	984	987	916	852	774	672	579	517	450	363	7,095
Debt held by the public	16,872	17,947	18,950	19,946	20,809	21,495	22,137	22,703	23,194	23,684	

Rejects bipartisan budget deal signed into law last week — The President's budget subverts the Bipartisan Budget Act of 2018. That budget deal increased the defense and non-defense discretionary (NDD) caps for 2018 and 2019, and the budget includes an "addendum" to account for this. NDD includes homeland security, education, research, veterans' health care, transportation, and much more. However, while the addendum conforms to the deal's defense cap for 2019, it provides $540 billion for NDD programs – $57 billion below the new NDD cap. This figure understates the budget's shortchanging of NDD investments and programs, because the addendum calls for changes in the budgetary treatment of certain programs that will in essence require NDD funding to cover billions of dollars of additional costs it would not otherwise have to absorb. The net effect will be to leave NDD programs even more starved for funding than they would be under the old austerity-level cap that Congress just rejected.

Failure to Invest in the Future

Undermines the nation's future through reckless cuts to investments — For years after 2019, the President's budget for NDD cuts more funding each year than the year before. This will lead to severe underfunding of investments and programs needed to boost jobs and innovation, revitalize communities, and generate broad-based prosperity. The budget allows $388 billion in NDD funding for 2028 – 33 percent below the budget deal's level for this year, and that is before factoring in inflation. Such recklessly extreme funding levels would leave the government unable to carry out basic functions that the American people expect and rely on, such as food safety, medical and scientific research, ensuring clean air and water, maintaining roads and bridges, and fighting organized crime.

Provides inadequate infrastructure investments — The budget pretends to make infrastructure a priority by highlighting a new $200 billion infrastructure proposal as a major initiative. However, that initiative relies in great part on investments from the private sector and state and local governments. Further, even as the budget presents this new initiative with one hand, it takes away infrastructure funding with the other. It assumes a $122 billion cut in highway programs after the expiration of the current highway bill. In addition, infrastructure programs will be hit hard by the budget's cuts to non-defense discretionary spending. For example, the budget cuts Department of Transportation funding by about 14 percent below its 2017 level, and, by the end of the decade, total discretionary transportation spending would be cut nearly in half from its 2017 level. Among the areas facing cuts are the popular TIGER grant program for innovative transportation projects, public transit and commuter rail, Amtrak, essential air service, and the Army Corps of Engineers.

Given these cuts, it is not clear whether the President's infrastructure initiative will actually lead to increased federal infrastructure funding. Many states and communities may not be able to afford the higher investments necessary to attract federal funds under the plan. Others may only be able to do so if they allow the private sector to contribute and profit by charging new tolls. The plan also could reduce environmental safeguards, link infrastructure improvements on public lands to greater energy development on those lands, and encourage the sale of public assets to the private sector.

Makes college less affordable and worsens the student loan crisis — The budget irresponsibly cuts $203 billion from vital student loan programs that help make college attainable for millions of students. By eliminating the subsidized student loan program and limiting the amount of federal aid available to students, borrowers will be forced into the often more expensive and riskier private market to finance their higher education. The budget also eliminates the Public Service Loan Forgiveness program and creates a single income-driven student loan repayment plan; both initiatives would make it harder for students to pay back their loans. Furthermore, the budget expands the use of Pell Grants but fails to increase Pell funding, increase the maximum award, or provide inflationary adjustments. This will further decrease the purchasing power of Pell.

Guts diplomacy and foreign aid — Once again, the President's budget hobbles a critical pillar of national security by cutting diplomacy and foreign aid by 30 percent below the 2017 level. It does this against the advice of the Secretary of Defense and a plethora of retired generals and admirals who have publicly stressed the importance of reinforcing this component of our national power alongside the military, particularly during this time of enormous security challenges. Like last year, this year's budget makes deep cuts to development assistance, humanitarian food assistance, and peacekeeping operations. It also again cuts funding for international efforts to combat climate change even though the Department of Defense has identified climate change as a significant cause of instability around the world.

Failure to Protect Families

Attacks Social Security — For the second year in a row, the budget violates the President's promise to protect Social Security by cutting Social Security disability benefits. Social Security's disability and retirement benefits share a funding source and are closely coordinated. They are truly one program. Under the President's plan, Americans would continue to make the same payments into Social Security, but those who have to stop working because of disability might no longer receive the full benefits they earned and paid for.

The budget assumes $72 billion in savings over ten years from changes to disability programs. This includes a $10.3 billion cut in Social Security disability benefits, along with other savings from Social Security and Supplemental Security Income (SSI) disability benefits. The largest cut is $48 billion from new approaches to increase labor force participation. The budget aims to achieve this spending cut through policies such as time limits and work requirements that will make it harder for people with medical impairments that prevent them from working to receive disability benefits.

Pursues deep Medicaid cuts and other destructive health care policies — The budget continues the Administration's assault on the nation's health care system by doubling down on a wildly unpopular Republican plan to "repeal and replace" the Affordable Care Act and ransack

Medicaid. This comes on the heels of ongoing Republican efforts to sabotage the law including the repeal of the individual mandate in the GOP tax scam, practically eliminating the advertising budget, and making it harder for consumers to shop for quality, affordable plans. The budget plan will leave millions of Americans without meaningful health insurance and weaken key protections for people with pre-existing conditions. As part of this attack on health coverage, the budget cuts $1.4 trillion from Medicaid over ten years, jeopardizing care for seniors in nursing homes, children with disabilities, and people with mental and substance use disorders. While the budget makes a much-needed investment in the fight against opioid addiction, this funding must supplement the benefits and services that a fully funded Medicaid already provides. Any success in battling the epidemic generated by the additional funding would be completely undone by the dramatic coverage losses that would result from the enactment of these deep Medicaid cuts.

Steals the future from America's working families and those struggling to get by — The budget cuts $263 billion over ten years from mandatory programs such as nutrition assistance that provide basic supports for millions of Americans. Providing these basic supports ensures stability for those looking for work and maintains a firm foundation for working Americans fighting every day to strive, thrive, and succeed. The budget even takes money away from disabled children and adults supported by SSI benefits. The budget also makes deep cuts to discretionary programs that provide similar supports, including housing and energy assistance.

Mandatory Cuts

- **Supplemental Nutrition Assistance Program (SNAP)** — In 2016, SNAP protected 44 million Americans from food insecurity. The budget cuts $214 billion over ten years from SNAP – putting every single one of these people, including 20 million children, 5 million seniors, and 4 million disabled adults, at risk of going hungry. Unlike previous Republican proposals, these cuts to SNAP are immediate and severe, including a cut of $17 billion in 2019 alone. Currently, SNAP recipients receive an electronic benefits transfer (EBT) card. The amount of benefits a recipient qualifies for is loaded onto the card each month for beneficiaries to use to purchase eligible food items. The budget dramatically changes the way SNAP works by providing part of the benefits each month in the form of a box of food delivered to SNAP recipients, with any remaining value of their benefit loaded onto their EBT card. The Administration believes that not only should the government decide what American families eat, but also that it can save $130 billion by buying food in bulk and successfully delivering boxes of this food to more than 40 million Americans every month at a lower cost than automatically adding benefits to an EBT card. The remaining SNAP cuts in the budget largely result from imposing new and unnecessary eligibility requirements and paperwork hurdles that serve only to prevent help from reaching those who need it the most.

- **Temporary Assistance for Needy Families (TANF)** — TANF block grant funding has remained flat at approximately $17 billion each year since 1996. Consequently, the purchasing power of TANF benefits has eroded substantially in most states. But the Administration plans once again to go after the most vulnerable Americans by cutting 10 percent from the TANF base program. Such an across-the-board cut to a program providing a small but critical amount of support puts families with children who already have very little economic security at risk of falling deeper into poverty, which will create even more barriers to success. However, the budget goes even further – it cuts $6 billion over ten years by eliminating the TANF contingency fund, preventing the government from ensuring struggling families can access the basic supports they need to get by during future economic downturns.

- **Supplemental Security Income** — SSI provides cash benefits to low-income Americans, specifically those who are 65 and older, blind, or disabled. SSI currently benefits more than 8.1 million people, including 1.2 million children, and kept 3.4 million people out of poverty in 2016. The budget cuts $7.6 billion from SSI over the next ten years. These cuts include taking away benefits from families with multiple recipients of SSI ($6.8 billion) as well as new redetermination requirements for children with disabilities ($248 million). The budget also cuts $579 million through changes in the administration of SSI.

Discretionary Cuts

- **Affordable housing** — At a time when 71 percent of extremely low-income renter households already spend more than half of their income on housing, the budget makes it more difficult for working families to find and stay in stable and affordable housing. The budget cuts $3.3 billion in 2019 (including the 2019 budget addendum) by implementing a series of rental assistance changes. This includes increasing the amount of their income recipients must spend on rent from 30 percent to 35 percent. However, the Administration freely admits that rent increases are likely to be burdensome – its addendum provides $1 billion to prevent the rent increases caused by these proposals from hitting elderly and disabled renters. The budget also once again cuts nearly $1 billion by eliminating the HOME Investment Partnerships Program, which provides flexible grants to states and localities to expand the supply of affordable housing.

- **Low-Income Home Energy Assistance Program (LIHEAP)** — The budget eliminates LIHEAP. Cutting this $3.4 billion program puts millions of families at risk when extreme temperatures hit, both in the summer and in the winter.

Breaks promise to leave Medicare alone — The budget makes numerous changes to Medicare that in total will reduce spending in Medicare by $0.5 trillion over ten years (some of which is offset by increases in other programs). Major provisions include changes affecting prescription drugs, hospitals, and post-acute care.

- **Part D drug spending** — The budget makes several changes to Part D that on net reduce spending by $5.3 billion over ten years. Some changes, such as a new Part D out-of-pocket maximum, reduce costs faced by certain beneficiaries. Other changes, however, amount to little more than reallocating costs among the government, drug plans, manufacturers, and beneficiaries, without doing anything to address the root problem of high drug prices. Some of these changes would lead to higher premiums or forcing some beneficiaries to pay more out of pocket before reaching the out-of-pocket maximum.

- **Hospitals** —The budget consolidates existing graduate medical education programs in Medicare, Medicaid, and other programs into one funding stream and caps annual funding growth at 1 percentage point below inflation, reducing net payments to hospitals by $48 billion (the net figure includes a $195 billion reduction in Medicare spending). Hospitals also lose a net of $70 billion from the budget's reduction in payments for uncompensated care (the net figure includes a $138 billion reduction in Medicare spending). Other major cuts to hospitals include $37 billion from reducing Medicare's coverage of bad debt, and $34 billion from paying all hospital-owned off-campus physician offices at the lower physician office rate (currently, many such facilities are exempt from this payment rule).

- **Post-acute care providers** — The budget establishes a unified payment system for post-acute care providers such as skilled nursing facilities, home health agencies, inpatient rehabilitation facilities, and long-term care hospitals to better align payments with costs and patients' needs. This policy reduces spending by $80 billion.

Other Items of Note

Wastes money on ineffective and unnecessary border wall — The budget spends $1.6 billion of American taxpayer dollars to construct a wall along the southern border. While the budget requests $1.6 billion for 2019, the Administration anticipates that American taxpayers will end up paying $18 billion on total wall construction.

Bets on implausible economics — The budget relies on unrealistic economic assumptions and counts on $0.8 trillion in deficit reduction from the supposed economic growth effects of its policies. The Administration assumes the economy will steadily grow at rates significantly higher than independent analysts think is sustainable. The growth rates assumed in the budget may be achievable for a short time but are unlikely to be maintained over the long run given the much slower projected rates of work force growth (unless we were to significantly increase the work force by allowing higher levels of immigration).

The budget assumes higher growth rates than recent projections by the Congressional Budget Office and the "Blue Chip" consensus of private forecasters. The gap is particularly strong in the later years of the coming decade, when the Administration expects the economy to grow at nearly 3 percent annually while other forecasters predict growth of about 2 percent. The Administration also expects growth to remain this strong while inflation and interest rates remain comparatively low, at roughly the same levels as in other forecasts.

Uses the federal workforce as a piggybank — Federal employees have contributed billions of dollars in forgone pay raises, increased retirement contributions, and unpaid furloughs over the last several years. This budget continues to pick the pockets of federal employees by cutting federal employee compensation and retirement benefits by more than $155 billion over ten years. The cuts include:

- reducing the government share of employees' health insurance premiums;
- increasing employee retirement contributions by 1 percentage point per year until they equalize with agency contributions;
- eliminating cost of living adjustments for current and future Federal Employees Retirement System (FERS) retirees;
- reducing cost of living adjustments for Civil Service Retirement System retirees by a half of a percentage point;
- eliminating the FERS Special Retirement Supplement;
- changing the retirement annuity calculation from using the average of the highest three salary years to the highest five salary years;
- reducing the G-fund interest rate in the Thrift Savings Plan; and
- imposing an across-the-board pay freeze for 2019.