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Promises Betrayed: Lost Opportunities for American Families

Summary and Analysis of the President's Budget for Fiscal Year 2018

The President's budget for 2018 clearly shows the Administration is not working on behalf of everyday Americans. It presents a long list of broken promises to the American people, united by one theme: taking away hope and opportunity from millions of families while showering millionaires, billionaires, and wealthy corporations with unnecessary tax cuts. Instead of bringing jobs back to communities that have fallen on hard times, the budget walks away from them. It hollows out the investments necessary to build a strong, competitive economy. Instead of making health care better and more affordable for everyone, the budget takes away health care from millions of working families. The list goes on. The budget recycles the stale, repeatedly discredited myth that tax cuts for the wealthy will magically generate an economic boom that will solve our deficit challenges. Ultimately, the President's budget betrays average Americans in favor of wealthy individuals and powerful corporations. It is a cruel document that will make life much harder for the millions of Americans struggling to get ahead or even just to get by.

Reckless Spending Cuts Put National and Economic Security at Risk

Abandons critical investments — The security of our nation rests on the foundation of a strong economy. The President's budget, however, makes unprecedented cuts to the investments needed to boost jobs and innovation, revitalize communities, and generate broad-based prosperity. It does this by reducing non-defense discretionary (NDD) funding for 2018 by $54 billion from the already inadequate austerity-level spending cap. NDD includes homeland security, education, research, veterans' health care, transportation, and much more. The President's 2018 NDD funding level represents an 11 percent cut from the 2017 enacted level. It gets much worse each year thereafter. For 2027, the budget provides only $367 billion for NDD – $152 billion below the 2017 cap, a cut of nearly 30 percent *before* adjusting for inflation. This profoundly misguided plan jeopardizes the safety, health, and well-being of American families, as well as the economic strength of our country. The President's budget makes it more difficult for Americans to develop the skills they need to compete for jobs; guts investments in both rural and urban communities; jeopardizes the safety and quality of our food, air, and water; hinders medical and scientific research; and means more crumbling roads and bridges.

Endangers national security with narrow focus on military funding — The budget naively assumes that our security depends on the military alone by adding $54 billion for national defense for 2018 while indiscriminately gutting every other source of our national power and security. It pretends that the pillars of our security, including the work of the State Department, are expendable luxuries and ignores the reality that nondefense investments ensure the safety of everything from poultry and planes to prescription medicine. Cutting NDD by $54 billion shows an exceedingly narrow view of security and sets up a false choice between the military and other important sources of national strength, such as economic opportunity, vigorous diplomacy, and safe and healthy communities. To cite just one example, the budget cuts $189 million (almost 20 percent) from the 2017 enacted level for the Animal and Plant Health Inspection Service (APHIS). APHIS works to safeguard animal and plant health in the United States and throughout the world, and it sets import policies to prevent the introduction of foreign animal and plant pests and diseases. APHIS also plays an important role in emergency preparedness and response to these pests and diseases. To strengthen our national security we must ensure that our military, civilian institutions, and American families all have the tools to be successful.

Weakens diplomacy and other tools of soft power — The budget undermines a critical component of our front-line defenses by cutting diplomacy and foreign aid by $19 billion, or more than 30 percent, below the levels enacted for 2017. These activities are not superfluous, and these cuts will have major consequences. Engaging with the world through diplomacy and foreign aid stops threats, helps resolve conflicts and ultimately reduces the need to put our servicemen and -women in harm's way. Just last year, the Coalition for Fiscal and National Security advocated to increase these capabilities and enhance the role of these smart power activities in our security, not reduce them as this budget does. This group includes a number of Republican national security experts, including former Secretary of State James A. Baker, former Secretary of Defense Robert Gates, former Secretary of Homeland Security Tom Ridge, former Secretary of Homeland Security Michael Chertoff, former National Security Advisor Brent Scowcroft, and former Secretary of State George Shultz. Even the current Secretary of Defense James Mattis emphasized the importance of these efforts when he said in 2013 that, "if you don't fund the State Department fully then I need to buy more ammunition ultimately." The budget makes deep cuts to development assistance, humanitarian food assistance, global health programs and peacekeeping operations. It also eliminates all funding for the United Nations' climate change programs, including the Green Climate Fund, and it eliminates the Global Climate Change Initiative. It makes these cuts despite that fact that Secretary Mattis identifies climate change as a security threat. In written testimony to the Senate Armed Services Committee, he stated that climate change is "impacting stability in areas of the world where are troops today," and that "climate change is a challenge that requires a whole-of-government response."

Guts investments in public health — The budget threatens advances in medicine by cutting more than $7 billion, or 22 percent, from the National Institutes of Health, and risks disease prevention and response by cutting about $1.2 billion, or nearly 17 percent, from the Centers for Disease Control. At a time when there are countless threats facing American families – from infectious diseases, to chronic diseases like Alzheimer's and cancer, to the opioid abuse epidemic – it is clear we need to expand our investments in public health, not reduce them.

Reduces investment in education — The President's budget makes it more difficult for low- and moderate-income students to afford college and will lead to higher student debt, greater inequality, and a weaker economy. In addition to eliminating subsidized loans and failing to adjust Pell Grant awards for inflation, the budget makes significant cuts to grant aid and work study, and it completely eliminates the Public Service Loan Forgiveness program. In combination, the budget cuts spending for student financial aid by $143 billion over ten years. These irresponsible cuts will force students to take on even more debt and will make it harder for many to repay their loans. But the budget does not stop there. A nearly $8 billion overall cut to Department of Education discretionary programs for 2018 means cuts to programs that increase college access, such as TRIO and GEAR UP. The budget also eliminates programs that help students succeed, including programs that improve literacy, provide student support and academic enrichment, and improve teacher training.

Weakens environmental protection — The budget cuts the Environmental Protection Agency by $2.5 billion, or more than 30 percent, from the 2017 enacted level. The budget puts tax cuts for billionaires above clean air and water for American families, and it undermines scientific efforts to combat climate change. It eliminates funding for specific regional efforts such as the Great Lakes Restoration Initiative, the Chesapeake Bay, and other geographic programs.

Harms the Middle Class and Families Struggling to Make Ends Meet

Guts Medicaid and undermines health care — The President's budget betrays the nearly 90 million people who rely on Medicaid or the Affordable Care Act (ACA) marketplaces for health care coverage. The budget doubles down on the House Republican plan to repeal the ACA and drains roughly $800 billion from Medicaid to pay for tax cuts that mostly benefit millionaires, billionaires and wealthy corporations. The budget takes an additional $610 billion from Medicaid, which will fall on seniors in nursing homes, children with disabilities, and low-income families as cash-strapped states look to reduce services or drop people from coverage altogether. The plan endorsed by the President and House Republicans takes away health coverage from 24 million people and drastically increases costs and premiums for millions more – especially Americans in their 50s and early 60s who are living paycheck to paycheck, according to a Congressional Budget Office analysis. The plan also takes away protections for people with pre-existing conditions and weakens health insurance benefit standards. This plan does the exact opposite of everything the President promised with respect to Medicaid and health coverage. The budget also prohibits funding through Medicaid and other programs to Planned Parenthood. As a result, millions of women who rely on Planned Parenthood for high-quality, affordable preventive services may be left with nowhere to turn.

Undermines basic living standards — The budget cuts $272 billion over ten years from mandatory programs such as nutrition assistance that safeguard basic living standards for working families and Americans struggling to get by. The budget also makes deep cuts to discretionary programs that help struggling families, such as housing aid and energy assistance. The budget even cuts the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC), taking money directly out of the pockets of hardworking Americans.

Mandatory cuts

- **Supplemental Nutrition Assistance Program (SNAP):** Currently, SNAP provides benefits to purchase food to 43 million Americans. Nearly 9 in 10 SNAP households contain a child under 18, an adult over 60, or an individual with disabilities. The budget cuts $193 billion over 10 years out of SNAP; putting millions of Americans, especially children, at risk of going hungry. To achieve these savings, the budget imposes unnecessary eligibility requirements that only serve as a barrier to getting help. In addition, the budget slowly shifts the burden of providing SNAP benefits to states, requiring them to find money in their already constrained budgets in order to contribute an average of 25 percent of the benefit by the end of the ten-year window. In combination, the budget's SNAP policies increase the likelihood that millions of people in need will see their benefits cut if not eliminated completely.

- **EITC/CTC:** Multiple studies have shown that the EITC encourages work, lifts people out of poverty, and results in long-term benefits for children. Likewise, the CTC assists working families with the costs of raising children, boosting family incomes in order to expand opportunities for children. The combined effects of the EITC and CTC lifted nearly 10 million people of out of poverty in 2015, including 5 million children. The budget, however, cuts $40 billion from these benefits, taking money from those with the least to give tax cuts to millionaires and corporations.

- **Temporary Assistance for Needy Families (TANF):** TANF block grant funding has remained fairly flat for several years at about $17 billion annually. States do not spend all of this funding on direct cash assistance to families in need. However, the flat funding of TANF has led to the purchasing power of cash benefits declining dramatically over time. In fact, for nearly 99 percent of recipients nationally, the purchasing power of the cash benefit is below the level it was in 1996[1]. In yet another attempt to balance the budget on the backs of the poor, the budget cuts 10 percent from the TANF base program, risking the economic security of millions of Americans looking for work, as well as the health and well-being of their children. Perhaps even worse, the budget completely eliminates the TANF contingency fund to save $6 billion over 10 years. This fund exists to help in times of extreme economic need by increasing benefits at a time when families are struggling the most and states face budget shortfalls.

Discretionary cuts

- **Affordable Housing:** At a time when the stock of affordable housing is in decline, and families are spending more of their income just to put a roof over their heads, the budget cuts critical investments in supporting, preserving, and building affordable housing. A recent study by the National Low Income Housing Coalition found that "71 percent of [extremely low income] renter households are severely-cost burdened,

[1] http://www.cbpp.org/research/family-income-support/tanf-cash-benefits-have-fallen-by-more-than-20-percent-in-most-states

spending more than half of their income on housing."[2] The budget cuts nearly $2 billion for 2018 for rental assistance programs at the Department of Housing and Urban Development. The budget also saves 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. Likewise, the budget cuts $108 million from housing programs for Native American tribes and Alaska Native villages. Finally, the budget eliminates funding for the Housing Trust Fund, which supports states and local governments in funding affordable low-income housing.

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

Attacks Social Security — The budget cuts Social Security disability benefits, clearly violating the President's promise to protect Social Security benefits from cuts. The budget tries to have it both ways by claiming it does not cut "core" Social Security benefits. However, 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 would no longer receive the full benefits they earned and paid for. The Administration's Orwellian attempt to exclude disability benefits from its newly revealed definition of "core" Social Security is an insult to disabled workers.

The budget assumes $72 billion in savings over ten years from changes to disability programs. This includes a $9.9 billion cut in Social Security disability benefits, along with other savings from Social Security and Supplemental Security Income benefits for the disabled. The largest cut is $49 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.

Cuts Veterans Benefits

Although the budget provides increased discretionary funding for the Department of Veterans Affairs (VA) and it extends the Veterans Choice program, it also cuts a mandatory benefit provided to veterans with disabilities. Currently, through a program known as Individual Unemployability, the VA can award disability payouts at the 100 percent disabled rate for a veteran whose disability may rate less than that. To qualify, a veteran must have a service-connected disability (one or more) that meets certain percentage thresholds and be unable to maintain "substantially gainful employment" due to their disability. The budget cuts these payments by nearly $41 billion over ten years by cutting off the supplemental payments once a veteran reaches minimum retirement age for Social Security. This cut endangers the livelihoods of veterans at or near retirement who could not find or maintain work, even when they wanted

[2] http://nlihc.org/article/massive-shortage-affordable-and-available-housing-america-s-lowest-income-households

to, because of a disability sustained in service to the nation. Eliminating or reducing the benefits paid to veterans with service-connected disabilities sends a message to veterans and their families that our country will not be there for them when they need us.

Shifts More Money to Millionaires, Billionaires, and Corporations

The budget provides little detail on the President's tax proposals. There are a handful of proposals with small revenue impacts but for the most part the budget proposes no specific changes to individual income, corporate, or estate taxes and assumes that revenues from those taxes will remain at their current levels (with overall revenues increasing dramatically due to higher economic growth). The budget does note the vague tax proposals released by the Administration earlier this year, which called for deep tax cuts. The budget assumes that those tax cuts will be financed with offsetting tax increases. The budget specifies neither the cuts nor the increases.

While the budget says almost nothing about the President's tax plan, we still know what he wants to do – give trillions of dollars in tax cuts to millionaires, billionaires, and wealthy corporations, at the expense of middle-class households throughout the country. Many working-class families may even see their taxes increase. It will create a massive new loophole for the wealthy and let corporations avoid more taxes, but does nothing to make sure the richest pay their fair share. And we know that the claim that their tax plan will be revenue-neutral is a fallacy. House Republicans are calling for tax reform that is deficit-neutral only *after* accounting for economic growth, using up the exaggerated revenue gains that the budget purports to reserve for deficit reduction. This deception seeks to hide the fact that their huge tax cuts for millionaires, corporations, and special interests will explode the debt. This is the same trickle-down nonsense Republicans have been peddling for decades. The only place these tax cuts pay for themselves is in fantasyland.

The budget's numbers assume that the tax reform plan is revenue-neutral even without accounting for any additional revenues resulting from economic growth. But that assumption is clearly a gimmick meant to allow the budget use these economic feedback revenues to pretend to reach balance (the size of the feedback is also greatly exaggerated, as discussed below). The President has spoken of his desire for big tax cuts. Revenue-neutrality requires paying for tax rate cuts with other tax increases (generally by curbing tax deductions or credits with vocal beneficiaries). The Administration is far more likely to abandon revenue-neutrality entirely than it is to insist on larger offsetting tax increases that House Republicans will oppose.

Uses Fake Economics and Other Gimmicks to Show Phony Balance

Relies on phony economic assumptions — The budget relies on extraordinarily optimistic economic assumptions. It assumes that the economy will grow at a 3.0 percent real annual rate beginning in 2021, compared with the Congressional Budget Office's 1.9 percent projection and the 2.0 percent projection in the "Blue Chip" forecast. CBO and other independent analysts assume that the economy will grow more slowly than it has in the past because the labor force is now growing more slowly as the baby boom generation retires and a smaller percentage of the population is in its prime working years. The Budget assumes that its policies will somehow overcome that drag and restore growth to its prior levels. The budget tables indicate that the Administration believes the economic impact of its policies will account for $2.1 trillion in deficit reduction.

While it is true that the economy has grown at this level in the past, there is no reason to think that such sustained growth is possible given current labor force and demographic trends. We have achieved a growth rate of 3 percent or more in only two years of this century. Averaging 3 percent growth over a long period that will likely include the occasional recession is difficult to imagine absent a dramatic change in our demographics or economy. Doing so would require having some years with growth rates well above 3 percent to offset years of weak or no growth. For example, a year of 6 percent growth would be needed to offset one year of zero growth. The economy has grown that quickly once out of the last 50 years. Even a 5 percent growth rate has happened only five times in those years, and not at all in more than 30 years.

It is also clear that the budget's growth dividend is based in wishful thinking, rather than a concrete analysis of specific policies. The policies most cited as promoting growth are tax reform and infrastructure reform. Both of these policies are simply placeholders in the budget, with policy specifics yet to be developed. The fiscal dividend that the Administration is claiming from economic feedback is clearly derived by starting with an assumption of 3 percent growth, rather than by analyzing the economic impact of actual policies that might produce such growth.

Includes a magic asterisk from reducing improper payments — The budget counts on saving $142 billion over ten years from reducing improper payments, but only $3 billion of these savings are linked to specific policies. The other $139 billion represents a vague promise to "reduce improper payments government-wide" but the budget provides no information on how it will achieve that goal. At the same time, the budget appears to freeze or cut many agencies' operating budgets over time, casting doubt on whether agencies will have sufficient resources to go after improper payments.

Counts on massive amounts of unspecified NDD cuts — Over ten years, the budget includes $775 billion – $119 billion in 2027 alone – in unspecified savings in Function 920 (Allowances). While the cuts to individual NDD areas in 2027 are bad enough, the funding *totals* provided for each area are dwarfed by the huge undefined cut. For a sense of scale, $119 billion is more than the entire discretionary budget of any non-defense agency for 2017. For example, the Department of Health and Human Services received $78.6 billion for 2017; the Department of Veterans Affairs received $74.5 billion – and these are the largest NDD agencies.

Infrastructure Initiative Is Less than Meets the Eye

The budget sets aside $200 billion for an infrastructure initiative that it claims will leverage $1 trillion in new infrastructure investment. It provides no specifics to evaluate whether the funds will actually lead to $800 billion in additional infrastructure investment. It is very possible that any incentives to support private infrastructure investments will mostly wind up subsidizing investments that would take place without the incentive. Similar concerns might apply to aid to states and localities, which might use federal funds to replace rather than augment their own resources.

The budget also takes with one hand as it purports to give with another. It assumes a $95 billion cut in Highway Trust Fund spending and eliminates several important transportation programs. The $200 billion set aside in the budget for infrastructure investment is unlikely to make up for these cuts because it is intended for all areas of infrastructure, not just highway programs. Moreover, because the $200 billion budget initiative purports to encourage private investment, it is likely to focus on privately owned infrastructure, rather than roads and bridges. The impact of the cuts is likely to be severe in rural areas, which have benefitted significantly from highway programs but are unlikely to have enough traffic to attract private investment.

Other Policies of Note

Burdens American taxpayers with the costs of building a border wall — The President repeatedly promised American taxpayers that Mexico would front the costs for a southern border wall. In his first full budget, he breaks that promise by requesting $2.6 billion for a border wall and increased deportation measures ($1.6 billion is carved out for the border wall). There is no concrete evidence that the President's border wall proposal will better secure America's borders. A February 2017 Government Accountability Office Report found that the U.S. Customs and Border Patrol has no metrics in place to demonstrate whether existing border fencing has any impact on diverting undocumented immigrants or on apprehension rates.

Cuts agriculture programs — The President's budget cuts $38 billion from Farm Bill programs (not including SNAP, discussed above). Within this total, the budget makes several changes to the crop insurance program, limiting premium subsidies to $40,000, cutting off coverage entirely for producers with high incomes, and changing the terms for certain policies. Together these crop insurance changes save nearly $29 billion over ten years.

Goes after federal employee retirement security — Federal employees have contributed more than their fair share to help with the country's fiscal challenges. They have contributed billions of dollars in forgone pay raises, increased retirement contributions, and unpaid furloughs over the last several years. This budget continues the assault on federal employees by cutting federal employee compensation and retirement benefits by nearly $150 billion over ten years. The cuts include:

- 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 FERS retirees;
- reducing cost of living adjustments for CSRS retirees by a half of a percentage point;
- eliminating the FERS Special Retirement Supplement; and
- changing the retirement annuity calculation from using the average of the highest three salary years to the highest five salary years.