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President Trump's Myopic 2020 Budget: States and Localities Lose Again

As in previous years, the President's 2020 budget hits state and local governments particularly hard. The misguided priorities in this budget hurt average Americans directly through massive program reductions, but also indirectly as states and localities would be forced to backfill cuts from federal sources. Programs related to health care, basic living standards, infrastructure, and building economic security are all targeted in this irresponsible plan.

Guts Medicaid and saddles states with major health care costs — The budget cuts Medicaid by $1.5 trillion, which represents approximately one out of every four dollars spent on the program. No part of the program would be safe: the budget entirely repeals the Affordable Care Act Medicaid expansion that added many low-income adults to the program, and it converts funding for all other populations to a block grant or per-capita cap. Under the reductions in funding that would result from block grants or per-capita caps, states will need to eliminate or drastically reduce services for low-income children, people with disabilities, and seniors – or raise billions of dollars to cover the loss of federal resources.

Makes life harder for those struggling to make ends meet — Even though the Temporary Assistance for Needy Families (TANF) block grant has been flat-funded since it began in 1996, eroding the purchasing power of this critical assistance over time, the budget cuts it by 10 percent. The budget cuts an additional $6.0 billion over 10 years by eliminating the TANF contingency fund, hamstringing the government's ability to assist those most in need during a future economic downturn. Additionally, the budget zeroes out the Social Services Block Grant, a critical program that helps states support services like foster care, child protective services, and case management for as many as 26 million children and adults.

Shortchanges infrastructure — The budget cuts Department of Transportation funding by $5.9 billion (21.5 percent) next year, with even deeper cuts in the future as the budget's discretionary spending cuts deepen. Of particular concern to state and local governments is a $146 billion cut in federal support for highways and mass transit over the period from 2022 to 2029, after expiration of the current highway bill. These cuts will severely limit the ability of state and local governments to maintain or improve their transportation infrastructure.

Weakens states and localities' ability to finance crucial programs for their residents — The budget permanently extends the 2017 tax law's $10,000 cap for the itemized deduction for State and Local Tax (SALT) on federal individual income tax returns. The SALT deduction makes it easier for state and local governments to raise taxes on high-income residents, because they can get their federal income taxes reduced by claiming this deduction on their federal tax returns. Capping this deduction risks states and localities' ability to raise taxes to finance crucial programs and services for their residents, such as education, investments in infrastructure, and other crucial benefits for their low- and middle-income families.

Disinvests in education — The budget cuts Department of Education funding by more than 12 percent next year. This massive disinvestment in education presents significant challenges for already strained state and local education budgets, while harming our nation's ability to build the workforce we need for our 21st century economy. The budget completely eliminates funding for 29 critical programs, including 21st century community learning centers which provide additional student learning opportunities, comprehensive literacy development grants that help states improve literacy instruction starting at birth, and the Promise Neighborhoods program which helps communities provide support services that improve student outcomes. The budget also turns the successful TRIO and Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP) programs into a smaller state block grant, taking away vital resources states use to prepare students for postsecondary education.

Threatens the environment and weakens environmental protections — The budget eliminates funding for several National Oceanic and Atmospheric Administration grant and education programs, including Sea Grant, Coastal Zone Management Grants, and the Pacific Coastal Salmon Recovery Fund. The budget cuts grants and payments made through the Department of Interior by more than $1.1 billion. It eliminates discretionary Abandoned Mine Land economic development grants, National Heritage Areas assistance, Indian Guaranteed Loan Program funding, and National Wildlife Refuge Fund payments to local governments. In the Environmental Protection Agency, the budget cuts Geographic Programs and State and Tribal Assistance Grants, including the Clean Water and Drinking Water State Revolving Funds, by $1.9 billion. These steep cuts will hinder state and local efforts to fund water quality projects, restore watershed ecosystems, meet federal environmental standards, and protect public health.

Undermines economic and community vitality – The budget eliminates several programs that foster economic development, including the $3.4 billion Community Development Block Grant program, which supports various community and economic development activities including housing rehabilitation, blight removal, infrastructure improvements, and public services. Additionally, the budget eliminates the Economic Development Administration, which provides grants that promote innovation and competitiveness, encourage entrepreneurship, help communities recover from natural disasters, and advance economic prosperity in distressed communities. The budget also eliminates federal funding for the Manufacturing Extension Partnership program, a public-private partnership that enhances the productivity and technological performance of U.S. manufacturing, and zeroes out the HOME Investment Partnerships Program (HOME), which provides formula grants to states and localities to increase affordable housing stock or provide direct rental assistance to low-income people. HOME is the largest federal block grant to state and local governments designed exclusively to create affordable housing for low-income households.