The 2015 Federal Budget Landscape and the Threat to Key Low-Income Programs

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I. The Federal Budget: Where We Are Today
Deficits Have Fallen Sharply Since Recession

Source: CBPP based on Congressional Budget Office, January 2015 baseline.
## Over $4 Trillion in Deficit Reduction Enacted Since 2010

(2015-2024, in billions)

<table>
<thead>
<tr>
<th>Major deficit-reduction measures enacted by Congress</th>
<th>Policy changes</th>
<th>Resulting interest</th>
<th>Total savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011 funding cuts and BCA caps (^a)</td>
<td>$1,466</td>
<td>$394</td>
<td>$1,859</td>
</tr>
<tr>
<td>BCA sequestration (^b)</td>
<td>$978</td>
<td>$276</td>
<td>$1,253</td>
</tr>
<tr>
<td>(discretionary sequestration from 2016 on, included above)</td>
<td>($731)</td>
<td>($142)</td>
<td>($874)</td>
</tr>
<tr>
<td>ATRA, BBA, and farm bill</td>
<td>$880</td>
<td>$151</td>
<td>$1,032</td>
</tr>
<tr>
<td><strong>Total, reduction in projected deficits</strong></td>
<td><strong>$3,324</strong></td>
<td><strong>$821</strong></td>
<td><strong>$4,145</strong></td>
</tr>
</tbody>
</table>

May not add due to rounding


\(^a\) The BCA both capped funding for discretionary programs and established an automatic sequestration to further cut funding if the 2011 “supercommittee” failed to achieve its targeted savings. Cuts in funding for discretionary programs started in the spring of 2011, even before the BCA was enacted.

\(^b\) These figures include discretionary and mandatory sequestration from 2013 on.

Source: CBPP based on Congressional Budget Office and Joint Committee on Taxation data.
Recent Policy Savings to Reduce Deficits Largely Come from Program Cuts

Total policy savings 2015-2024

- Program cuts: 77%
- Revenue increases: 23%

Note: Revenue increases and cuts were enacted in the 2012 American Taxpayer Relief Act and the 2013 Bipartisan Budget Act; program cuts were also enacted in the 2011 Budget Control Act and the 2014 farm bill.

Source: CBPP based on Congressional Budget Office and Joint Committee on Taxation data.
Non-Defense Discretionary Spending Falling to Historic Lows

Spending as percent of gross domestic product*

* Data available only back to 1962
** Sequestration budget cuts required under the 2011 Budget Control Act
Source: Center on Budget and Policy Priorities based on Office of Management and Budget and Congressional Budget Office data.
NDD Levels Have Fallen Since 2010

Non-defense discretionary funding in 2016 dollars (billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$596</td>
</tr>
<tr>
<td>2011</td>
<td>$535</td>
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<tr>
<td>2012</td>
<td>$519</td>
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<tr>
<td>2013</td>
<td>$481</td>
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<tr>
<td>2014</td>
<td>$507</td>
</tr>
<tr>
<td>2015</td>
<td>$502</td>
</tr>
<tr>
<td>2016</td>
<td>$493</td>
</tr>
</tbody>
</table>

Notes: All amounts exclude funding for disasters, emergencies, program integrity, and Overseas Contingency Operations. The 2010 level does not include any Recovery Act funds.

Source: CBPP analysis of data from the Congressional Budget Office and the Office of Management and Budget
Sequestration of Non-Defense Discretionary is Rising

Sequestration cut in billions of dollars

- 2013: $21
- 2014: $14
- 2015: $28
- 2016: $37

Source: CBPP Calculations based on Congressional Budget Office and Office of Management and Budget data. 2013 data does not include $3 billion in sequestration from appropriations exempt from caps.
II. The Mid- and Long-Term Budget Outlook
Long-Term Outlook Has Improved Substantially Since 2010

Debt held by the public as a percent of GDP, 1940-2040

Source: Historical data from the Office of Management and Budget; projections from CBPP based on Congressional Budget Office, Joint Committee on Taxation, and Social Security and Medicare Trustees data.
Non-Interest Spending Outside Medicare and Social Security Set to Fall in Coming Decade

Spending as a percent of GDP

Note: program spending includes all federal expenditures other than net interest on the debt. Source: OMB through 2012; CBPP analysis of CBO data thereafter.
Low-Income Expenditures Outside Healthcare Set to Fall Below Average of Last 40 Years

Source: OMB through 2013; CBPP analysis of CBO data thereafter.
Projected 10-Year Spending for Medicare and Medicaid Down by $979 Billion since 2010

Spending for Major Federal Health Programs with Health Reform Projected to Cost Less Than 2010 Projections with no ACA

Tax Expenditures Are Very Costly

Notes: Tax expenditure estimates do not account for interaction effects; estimate does not include associated outlays ($129 billion) or the effects on excise and payroll receipts ($120 billion).

Source: Office of Management and Budget, Historical Tables 8.5 and 8.7 and Analytical Perspectives Table 14-2.
III. Looking Ahead to This Year’s Federal Budget Debate
This Year’s Budget Debate

• **February**: President released 2016 Budget

• **March/April**: Congress likely to pass a budget resolution. It could:
  – Include “reconciliation instructions” that will call for entitlement cuts and tax changes
  – Call for changes to the discretionary caps
  – Make budget process changes
2015 Budget Debate, cont.

• **Summer/Fall**: House/Senate will try to pass a reconciliation bill that changes tax and entitlements
  
  – If the reconciliation bill includes major proposals the Administration opposes, it is likely to face a VETO
  
  – *But even a veto does not end the debate – could trigger the start of negotiations*
2015 Budget Debate, cont.

- **Summer/Fall**: Major budget negotiations. Could occur after veto of reconciliation bill or even before. Congress may push reconciliation date to fall.
Likely Architecture of GOP Budget Resolutions

- Balance Budget in Ten Years
- No Major Savings from Current Social Security or Medicare Beneficiaries
- NDD and Low-Income Entitlements
- Increase Defense
- No New Revenues
Ryan FY 2015 Budget Priorities

Cuts or increases, fiscal years 2015-2024 (in trillions of dollars)*

- Repeal of health reform coverage expansions: -$2.1
- Medicaid and SNAP block grants and cuts: -$0.9
- Other mandatory cuts, mostly unspecified: -$0.8
- Non-defense discretionary funding: -$0.8
- Medicare: -$0.1
- Defense funding: $0.5

*Reflects outlays for mandatory programs and budget authority for discretionary programs
Source: Ryan budget, CBPP estimates
69 Percent of Cuts in Ryan Plan From Programs for People with Low or Moderate Incomes

- Low-income programs (e.g. Medicaid, Pell Grants, SNAP)
- Other program cuts

$1.5 trillion (31%)
$3.3 trillion (69%)

Note: Calculations do not include defense increase.
Source: CBPP based on data from Congressional Budget Office and FY 2015 House Budget Resolution and Committee markup.
Budget Reconciliation

• Affects entitlements and revenues

• Cannot be filibustered; 51 votes to pass

• Likely targets for cuts: ACA, Medicaid, Medicare, SNAP, SSI

• Can also include the debt ceiling
What Reconciliation Can’t Do

• Make changes to Social Security
• Change discretionary authorizations or caps
• Make changes that don’t “score”
• Increase deficits in the long term (after the years covered by the reconciliation directive)
• Increase deficits *within* the years covered by the reconciliation directive (this may change)
Budget Negotiations

• Negotiations between Congress and Administration which could include:
  – King decision: “replace” ACA
  – Discretionary funding levels/sequestration relief
  – Other entitlement cuts and/or damaging changes, including Medicaid, SNAP, ACA changes
  – Taxes
  – Debt ceiling
  – Social Security Disability Insurance funding
Principles for Budget Debate

• Budget agreements must be balanced and include revenues.

• Cuts or programmatic changes that increase poverty or reduce access to health care should be rejected.

• Sequestration relief for NDD is needed, but not at any price.
  – Harmful entitlement cuts should be rejected as offsets
  – Any relief should be split evenly between NDD and defense

• The most important expiring tax provisions to make permanent are key provisions of the EITC and CTC.
IV. Threats to Low-Income Programs
Examples of Programs for Low-Income Families At Serious Risk in 2015

- Repeal or undermining of health reform
- Cap or restructuring of low-income mandatory programs, other damaging cuts
- Social Security Disability Insurance
- Appropriations cuts
- Expiring improvements in the EITC and CTC
A. ACA, Medicaid and Medicare
ACA Replacement Plans:  
One Example – Hatch-Upton-Burr

- Repeal ACA coverage expansions.
- Replace with smaller tax credit, reduced eligibility, no cost-sharing subsidies, no Medicaid expansion.
- Eliminate most ACA market reforms and consumer protections.
- Appear to convert part of Medicaid to a per capita cap and block grant long-term care.
- Jeopardize employer-sponsored insurance.
Medicaid Costs 27% Less for Children, 20% Less for Adults Than Private Insurance

Source: CBPP analysis.
Medicaid Per-Beneficiary Costs Have Been Growing Slower than Private Insurance

Source: Kaiser Family Foundation.
Medicaid Per Capita Caps

• Caps federal funding per beneficiary.
• States would get less federal funding per beneficiary than under current law, with cuts growing larger every year.
• Cuts could even be larger than anticipated because of aging of the population and higher-than-expected medical costs.
• States would either have to increase their own contributions to Medicaid or as is more likely, cut their programs, shifting costs to beneficiaries and health care providers.
States Responsible For 100% of Any Medicaid Costs Above Per Capita Cap Amount

Current Medicaid Financing System (Assuming 50% Matching Rate)

- **Baseline scenario**
  - Federal Share: $50
  - State Share: $50

- **Higher spending (unexpected health cost growth)**
  - Federal Share: $60
  - State Share: $60

Per Capita Cap

- **Baseline scenario**
  - Federal Share: $50
  - State Share: $50

- **Higher spending (unexpected health cost growth)**
  - Federal Share: $70
  - State Share: $70

*per capita cap*
Other Medicaid Cost-Shifts

- Could come up on SGR, CHIP, budget reconciliation, budget negotiations.
- Examples: restriction or elimination of state use of provider taxes. All states except Alaska rely on provider taxes.
- Shift costs to states and then to beneficiaries and health care providers.
- Discourage takeup of Medicaid expansion.
Medicaid Per Capita Cap or Other Cost Shifts Would Deter Takeup of Medicaid Expansion
Most Medicare Beneficiaries Have Modest Incomes

Share of beneficiaries by income group, 2009

- $0-$10,000: 14%
- $10,001-$20,000: 27%
- $20,001-$30,000: 20%
- $30,001-$40,000: 13%
- $40,001-$50,000: 10%
- $50,001-$60,000: 5%
- $60,001-$70,000: 3%
- $70,001-$80,000: 3%
- $80,001-$90,000: 1%
- $90,001-$100,000: 2%
- Over $100,000: 3%

Median annual income of Medicare beneficiaries = $25,000

Notes: Annual income includes that of individual respondents and their spouses, if applicable. Estimates do not sum to 100 percent due to rounding.
Source: Kaiser Family Foundation analysis of the CMS Medicare Current Beneficiary Survey 2009 Cost and Use File.
Medicare Beneficiaries Already Spend A Lot on Out-of-Pocket Medical Costs

Medicare Beneficiaries Spend More of Household Budgets on Health Care

Average Out-of-Pocket Health Spending as a Percent of Total Spending, 2009

- Medicare Households: 14.9%
- Non-Medicare Households: 4.8%

Source: Kaiser Family Foundation, Health Care on a Budget, June 2011.
Near-Poor Beneficiaries Especially Face High Out-of-Pocket Costs

Medicare Beneficiaries with Incomes Between 100-200% of Poverty Spend More of Their Income on Health Care
Median Out-of-Pocket Health Spending as a Percent of Income, 2006

Source: Kaiser Family Foundation, How Much “Skin in the Game” is Enough?, June 2011.
B. SNAP
Threats to SNAP

• Reduce spending
• Impose additional work requirements (or time limits)
• Tighten eligibility standards and reduce access for working families
• Impose identification requirements and restrict access to address alleged fraud and program abuse
• Give states incentives to reduce participation
• Cap program spending through block grants
Why? What’s wrong with SNAP?

• The program is growing out of control
• SNAP doesn’t serve the truly needy
• It’s not doing enough to encourage work
• People are on SNAP for too long
• There’s lots of waste, fraud and abuse
• SNAP causes obesity

... Wait, could all this be true?
SNAP growth is not out of control

SNAP Costs Starting to Fall, Projected to Fall Further

Spending as a share of gross domestic product

Sources: Office of Management and Budget, Bureau of Economic Analysis, and Congressional Budget Office
January 2015 baseline
SNAP serves the truly needy

SNAP Caseloads Closely Track Changes in Number of Poor and Near-Poor
In millions, through September 2014

*Poverty numbers are annual estimates and not yet available after 2013. Spikes in SNAP participants are from disaster benefits (i.e., after hurricanes).

Sources: Department of Agriculture (SNAP program participants); Census Bureau (annual estimates of individuals below 130% of poverty).
SNAP increasingly supports work

Working Households on the Rise
Share of SNAP households with children by type of income

Source: CBPP Tabulations of SNAP Quality Control Data
Nondisabled Childless Adults in most parts of the country do not face a time limit in FY15

Notes: This does not include eligible reservations. Wisconsin will begin implementing the time limit statewide sometime in 2015.
But most will face a three month time limit in 2016

Note: Projections are based on most recent months of data, and do not account for regional grouping or other means of eligibility. Not all states will opt to waive all eligible areas. CA, NV, IL, and RI would be eligible for statewide waivers based on the most recent data available, but may not be in future months.
Enough with all this federal talk, what about California?
CA’s Participation Rate Trails Other Large States

State Participation Rates, 2012

- CA: 63%, Participation among eligible rates; 49%, Working poor participation rates
- TX: 75%, Participation among eligible rates; 71%, Working poor participation rates
- NY: 80%, Participation among eligible rates; 67%, Working poor participation rates
- FL: 90%, Participation among eligible rates; 74%, Working poor participation rates
- GA: 89%, Participation among eligible rates; 79%, Working poor participation rates
- US: 83%, Participation among eligible rates; 72%, Working poor participation rates

cbpp.org
Since 2007 California Has Grown Faster than The U.S.

If CA Grew Like the U.S. Since 2007

CA Actual Caseload

If CA Grew Like the U.S. Since 2007
CalFresh Participation is Still Growing Despite Decreases in Unemployment

SNAP Participation and Unemployment in California, Jan 2000-November 2013

CalFresh Participation

Number of Unemployed Persons
C. Refundable Tax Credits
Expiring EITC and CTC Expansions

• 2009 economic recovery legislation (ARRA) included key improvements to the Earned Income Tax Credit and the Child Tax Credit. They have been extended through the end of 2017.

• If these provisions expire, 16.4 million people will be pushed into or deeper into poverty, including 7.7 million children. Total impact on some 50 million.

• E.g., single mother with two children working full time in a nursing home for the minimum wage and earning $14,500 would lose her entire CTC of $1,725 if the CTC provision expires.
Working-Family Tax Credits Help At Every Stage of Life

- Improved infant and maternal health
- Better school performance
- Greater college enrollment
- Increased work and earnings in the next generation
- Social Security retirement

Note: For further details on the research, see Chuck Marr, Chye-Ching Huang, and Arloc Sherman, “Earned Income Tax Credit Promotes Work, Encourages Children’s Success at School, Research Finds,” CBPP