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## Important Investments, Significant Disappointments in Year-End Legislation

*Statement of Sharon Parrott, President, on the Fiscal Year 2023 Omnibus Appropriations Package:*

Finalizing a year-end omnibus bill is an important accomplishment for Congress, and the bipartisan bill released today includes several key investments, including significant, permanent advances in child nutrition and children's health, and more adequate funding levels than would have been possible in a full-year continuing resolution. At the same time, the package is disappointing in a number of ways — notably it fails to expand the Child Tax Credit, the most important policy we can adopt right now to substantially cut child poverty and boost families' incomes as they cope with higher costs.

Congress should pass this bill and the President should sign it. But we should be clear eyed that it leaves behind critical investments in our nation needs. Policymakers should redouble efforts to reach agreement on them in the next Congress.

First a look at the legislation's key investments. The bill creates a permanent Summer EBT program, which will provide grocery benefits to replace school meals for children in low-income families when schools are closed for the summer — a time when children and families are at high risk for food insecurity. It is deeply unfortunate that, to pay for this important advance, policymakers chose to end a temporary pandemic-related supplemental food assistance program, called emergency allotments, on a date certain rather than leaving it in place until the public health emergency ends. There are numerous other reasonable offsets that policymakers should have used instead. For example, policymakers could have raised revenue from very wealthy people who pay extremely low taxes, rather than ending food assistance supplements for low-income people earlier than may have otherwise been the case. While a permanent Summer EBT program is a real step forward, there are other child nutrition reforms not included in this scaled-down package that policymakers should come back to next year.

In another advance for children, the bill requires states to provide children with 12 months of continuous eligibility when they enroll in Medicaid or the Children's Health Insurance Program. Locking in coverage for a year can increase the share of children receiving preventive care and reduce the share experiencing gaps in coverage and unmet health care needs. The bill also permanently extends the *option* states have to provide 12 months of Medicaid postpartum coverage, but unfortunately does not require states to provide this critical coverage.

Here too the financing mechanism is problematic. The bill pays for these investments by phasing out continuous coverage — a temporary, pandemic-related coverage protection — earlier than would have been the case without this legislation, which allows states to end people's coverage more quickly. Not all of the

savings are reinvested into Medicaid, and lawmakers could have identified different offsets to pay for the child health expansion. Still, the bill includes important additional resources for states as they review their Medicaid caseloads and it sets standards for how they must proceed to help minimize coverage losses.

The health and food assistance advances for children, while no substitute for an expanded Child Tax Credit that can drive down poverty more substantially, will improve children's economic and health security.

The bill also addresses a looming Medicaid funding crisis in Puerto Rico by increasing both federal funding and the federal matching rate for the territory. Without congressional action, Puerto Rico likely would have been forced to make deep cuts to eligibility and benefits in its program, which serves more than 1 million people, and health care providers could have seen more cuts to their already low provider reimbursements. And, the bill will permanently increase the federal Medicaid match rate in Guam, the U.S. Virgin Islands, the Commonwealth of the Northern Mariana Islands, and American Samoa, averting a less severe but similar Medicaid funding shortfall in those U.S. Territories. Ultimately, people in Puerto Rico and the other territories should have access to the same Medicaid program as those living in the states, but this bill is an essential step toward parity.

Securing agreement on an omnibus bill allowed policymakers to adjust spending levels for programs to reflect evolving needs, costs, and other factors more effectively than if Congress had extended current funding levels through a continuing resolution. For example, the bill provides modest additional funding for programs that address homelessness and for rental assistance to address rising costs, ensure that families don't lose access to those programs, and provide a small number of additional households with assistance. With rents and eviction rates rising, and fewer than 1 in 4 eligible renters receiving rental assistance, more needs to be done.

The bill provides a significant boost to funding for child care and Head Start. While far more needs to be done to ensure that all children have access to affordable, high-quality early care and education, the additional funding is important. The Low Income Home Energy Assistance Program, which helps people afford heating and cooling bills, also saw increased funding.

At the same time, the bill leaves out some critical policy advances and underfunds a number of priorities. The biggest disappointment of the year-end bill by far is the failure to expand the Child Tax Credit. The American Rescue Plan's expanded credit and other relief measures drove the child poverty rate to a record low of 5.2 percent in 2021. But with the expansion's expiration, that record progress in reducing child poverty in 2021 has sharply reversed.

Congressional Republican leaders reportedly refused to negotiate an expansion — despite clear signals that Democrats were willing to compromise on size and structure — giving up a corporate tax cut they sought if it meant pairing them with help for children in families with low incomes. A bright spot in the tax debate: many policymakers' commitment to the principle that corporate tax cuts shouldn't come before families' needs. This commitment must remain strong in the new Congress to create an opening for a bipartisan deal to expand the Child Tax Credit, especially for the 19 million children who are denied the full credit because their parents' earnings are too *low*. Denying this help hurts children across racial and ethnic groups and in all types of communities. But it disproportionately harms Black, Latino, and Indigenous children and children in rural communities, who are more likely to live in families with low incomes — due to racism and marginalization that have limited opportunity, and because pay is generally lower in rural areas — and be excluded from the full credit.

In another notable omission, the bill does not solidify through statute the Deferred Action for Childhood Arrivals (DACA) program, a status currently covering approximately 600,000 people. The future of DACA is in jeopardy because of forthcoming court decisions that may end the program. Many hoped this bill would create a pathway to citizenship for DACA holders, many of whom have been living and working in the U.S. for decades and are important contributors to our communities.

The bill underfunds the Social Security Administration (SSA). While the bill increases SSA funding, it falls well short of the President’s request, and at best will allow it to maintain last year’s inadequate service levels. Treading water should not be acceptable. SSA needs more investment to provide adequate customer service and process claims more efficiently following years of budget cuts and staffing declines. Instead, applicants and beneficiaries likely face another year of long wait times and backlogs.

The bill’s funding for the IRS falls short of what is needed but avoids a significant *cut* in appropriated funding below last year’s level. The Inflation Reduction Act provided multi-year mandatory funding designed to be paired with adequate base funding from annual appropriations. Both funding sources are needed to rebuild the IRS so it can adequately serve customers and collect the taxes that high-income taxpayers and corporations legally owe. IRS technology dates to the 1960s and the agency has far fewer staff to audit high-income households’ complex tax returns today than in 1954. Honest taxpayers deserve better. In the years ahead, Congress will need to provide more adequate base funding to ensure it does not erode and undermine the success of the agency’s rebuild.

The bill includes a set of retirement savings-related provisions. Some are laudatory, such as creating a savings match for low-income savers and allowing certain kinds of savings to be tapped for emergency purposes and not just retirement. But others expand existing unnecessary and regressive tax subsidies for people nearing or deep into retirement. For example, affluent people will now be able to wait until age 75 before they are required to touch their tax-favored “retirement” account. It is particularly unfortunate that these tax cuts are in the package while a provision to allow very low-income seniors and people with disabilities to have modest savings and still qualify for income assistance through the Supplemental Security Income program was excluded, despite bipartisan efforts to include it.

Overall, the compromise year-end package is far better than a full-year continuing resolution and includes important policy advances, particularly in child health and food assistance. Policymakers should pass it.

But policymakers should take stock of where policymaking fell short this year. Congress enacted major legislation, including critical investments in climate and infrastructure. But policy advances that would address the everyday needs of low-income people and families were largely left out, despite efforts by many policymakers. As a result, poverty — pushed to historic lows in 2021 — has risen markedly, many households don’t have the supports they need to afford the basics, like housing and child care, and workers don’t have important benefits and protections like paid family and medical leave. This is the unfinished business of this Congress and work that policymakers of both parties should turn to in the new year.

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