Center on Budget and Policy Priorities

820 First Street NE, Suite 510
Washington, DC 20002

Tel: 202-408-1080
Fax: 202-408-1056

center@cbpp.org
www.cbpp.org

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Chairman Ryan Gets 66 Percent of His Budget Cuts from Programs for People With Low or Moderate Incomes

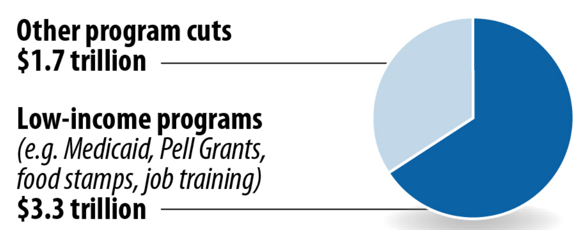
By Richard Kogan and Kelsey Merrick

House Budget Committee Chairman Paul Ryan's new budget plan would get at least 66 percent of its $5 trillion in non-defense budget cuts over ten years (relative to a continuation of current policies) from programs that serve people of limited means, standing a core principle of the Simpson-Bowles fiscal commission on its head.

Not much has changed on this front from Chairman Ryan's budget plan of a year ago. Then, too, Chairman Ryan proposed very deep cuts, the bulk of which were in programs that serve low- and moderate-income Americans.

The plan that Erskine Bowles and Alan Simpson issued in late 2010, as well as the revised plan they issued a few weeks ago, established as a basic principle that deficit reduction should *not* increase poverty or widen inequality. The Ryan plan charts a radically different course, imposing its most severe cuts on people on the lower rungs of the income ladder.

66 Percent of Cuts in Ryan Plan Come From Programs for People With Low or Moderate Incomes



Note: Calculations exclude war savings.
Source: CBPP based on data from Congressional Budget Office and FY2014 House Budget Resolution and Committee markup.

The Ryan budget proposes $5 trillion in non-defense budget cuts through 2023. Chairman Ryan claims $4.6 trillion in total spending cuts over this period, reflecting $3.9 billion of policy savings and $700 billion in interest savings. Of the policy savings, $3.8 billion reflects cuts in non-defense programs and $150 billion reflects war savings. But Chairman Ryan also starts from a baseline that builds in certain savings: permanent sequestration, steep cuts in Medicare payments to doctors under the Sustainable Growth Rate (SGR) formula, and the expiration of refundable tax credit provisions after 2017. We, like the Committee for a Responsible Federal Budget (CRFB), use a current policy baseline that does not assume nine years of sequestration cuts, and assumes policymakers will extend relief from the scheduled SGR cuts as well as the refundable tax credit provisions, as they have done in the past. As a result, we treat proposals to retain the sequestration savings and the SGR cuts, and to allow the refundable tax credit provisions to end, as reductions in spending. Together, they reflect $1.2 trillion in savings through 2023. (See Appendix.) The resulting total relative to current policy is the $5 trillion in non-defense spending reductions, excluding interest savings.

Cuts in low-income programs — including reductions in both discretionary and entitlement programs — appear likely to account for at least $3.3 trillion — or about 66 percent — of the $5 trillion in overall non-defense budget cuts, and probably significantly more than that. As explained below, our assumptions regarding the size of the low-income cuts are somewhat conservative. The $3.3 trillion includes the following four categories of budget cuts:

- **$2.6 trillion in reductions from Medicaid, subsidies to help people with modest incomes purchase health insurance, and much smaller related expenditures under the Affordable Care Act.** The plan shows Medicaid cuts of $810 billion, plus savings of $1.8 trillion from repealing the health reform law's Medicaid expansion and its subsidies to help low- and moderate-income people purchase health insurance.

- **$135 billion in cuts to the Supplemental Nutrition Assistance Program (SNAP), formerly known as the Food Stamp Program.** Chairman Ryan's staff have said the plan's SNAP reductions save $135 billion. If these proposed savings were achieved entirely through SNAP eligibility cuts, between 8 million and 9 million people would be removed from the program.[1]

- **At least $325 billion in cuts in mandatory programs serving low-income Americans, other than Medicaid and SNAP.** Chairman Ryan's budget documents indicate that he is proposing $960 billion in cuts in mandatory programs other than Social Security, Medicare, Medicaid, and other health programs, and SNAP — with $163 billion of these cuts coming from civil service pensions and farm programs. The documents provide few details as to where the other $800 billion in cuts would come from, although they do specify that veterans' benefits and services (function 700) are protected from cuts.

  The documents also indicate that roughly $300 billion of the $800 billion in cuts are in the income security portion of the budget (function 600), which includes many programs that serve low- and moderate-income Americans. These programs include Supplemental Security Income for the elderly and disabled, the school lunch and child nutrition programs, and the Earned Income and Child Tax Credits for lower-income working families. (The income security function also includes SNAP and civil service pensions, for which the budget specifies savings.) In total, about 60 percent of the spending in this portion of the budget, outside of SNAP and civil service pensions, is for low-income programs. The remaining $500 billion would come from other mandatory programs outside of Social Security, health, veterans, farm programs, and income security. About 30 percent of this spending is for low-income programs.

  For this analysis, we make the assumption that savings from low-income mandatory programs would be proportionate to their share of spending in each of these two categories. Thus, we derive the $325 billion figure, which is roughly 60 percent of $300 billion plus 30 percent of $500 billion.

[1] Dottie Rosenbaum, "Ryan Budget Would Slash SNAP," *Off the Charts* blog, Center on Budget and Policy Priorities, March 13, 2013, http://www.offthechartsblog.org/ryan-budget-would-slash-snap/.

This estimate likely *understates* the cuts that the plan would make in low-income programs. In addition to the cuts to income security programs, the Ryan documents also show that the budget includes $200 billion in mandatory cuts to education, training, employment, and social services (function 500), which, based on the discussion in the Ryan budget documents, would likely come mainly from the mandatory portion of the Pell Grant program for low-income students. Under our approach, we only attribute 30 percent of these savings to low-income programs.

- **At least $235 billion in cuts in low-income discretionary programs.** These cuts would be on top of the cuts already enacted as a result of the discretionary caps created by the Budget Control Act (BCA). The Ryan budget contains $970 billion in cuts in non-defense discretionary programs beyond the cuts needed to comply with the BCA caps but does not provide details about cuts to specific programs, except that discretionary veterans' programs are also protected. ($970 billion in spending cuts would result from Ryan's $1.1 trillion reduction in non-defense discretionary funding over the same period.) Here, too, we make the conservative assumption that low-income programs in this category would bear a proportionate share of the cuts. We derive the $235 billion figure from the fact that about a quarter of non-defense discretionary spending (whether including or excluding veterans' programs) goes for programs for low- and moderate-income individuals and families.

As noted, our estimates of the size of the cuts in low-income programs — which assume these programs will merely bear a proportionate share of the budget cuts required in each of the relevant budget categories — are conservative. When faced with the choice of which specific programs to cut, policymakers are not likely to cut much from a number of the *non*-low-income programs in these budget categories that are popular, such as the FBI, cancer research, and protecting the borders. That means that other programs — including low-income programs — would have to be cut by more than their proportionate share.

Appendix:
Comparing the Ryan Baseline and the CBPP/CRFB Baseline

Chairman Ryan says his plan reduces projected deficits by $4.6 trillion over the course of the ten-year period 2014-2023. Our own analysis shows $6.2 trillion. The difference occurs entirely because we use different starting points or *baselines*. For the purpose of this analysis, we accept the numbers he specifies as his ending points (despite the fact that they are achieved in great part by unspecified policy changes).

A baseline is a matter of analytical convenience; it exists to help explain to the public the elements of a budget plan. We use the identical baseline that the Committee for a Responsible Federal (CRFB) budget uses because we each find it analytically sound.[2] Specifically, the CBPP/CRFB baseline uses the Congressional Budget Office's estimates of revenues and spending under current law and then makes the following adjustments:

1. Future emergency funding will be at its historical average, as allowed by the Budget Control Act of 2011 (BCA), rather than continue each year at the 2013 levels associated with Hurricane Sandy;

2. War funding will fall to about one-third its present level by 2015, but will not fall further, in accordance with an alternative outlined separately by CBO;

3. The sequestration will be cancelled but discretionary funding will continue to be constrained by the funding caps established by the BCA;

4. Relief from the deep cuts in physician payments required by Medicare's Sustainable Growth Rate (SGR) formula will be granted; and

5. The American Opportunity Tax Credit and the improvements in the Child Tax Credit and the Earned Income Tax Credit, enacted in 2009 and now extended through 2017, will be continued thereafter, but other expiring tax provisions will expire on schedule.

In contrast, Chairman Ryan's starting point includes the first adjustment; goes even farther in assuming a war drawdown than CBO's alternative (the second adjustment), and does not include the last three adjustments. As a result, Chairman Ryan puts in his baseline $1.6 trillion that we and CRFB treat as deficit reduction from our baseline. Here's a handy table that allows you to make sense of the apparently conflicting numbers.

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[2] We published our baseline assumptions in Appendix 1 of "$1.5 Trillion in Deficit Savings Would Stabilize the Debt over the Coming Decade," http://www.cbpp.org/files/2-11-13bud.pdf . CRFB published the same baseline assumptions in CRFB's Realistic Baseline, at http://crfb.org/crfbs-realistic-baseline.

Table 1	
10-Year Cumulative Totals, 2014-2023, in Billions of Dollars	
Baseline deficit, CBPP/CRFB	**7,463**
Impose sequestration (defense, non-defense discretionary, Medicare, other mandatory programs)	-995
Do not grant SGR relief, or pay for it by other Medicare reductions	-138
Allow refundable tax credits to expire	-142
Reduce war costs even below CBO's phase-down path	-48
Interest savings from above assumptions	-281
Total changes, CBPP/CRFB baseline to Ryan baseline	**-1,605**

From a starting point of $7.46 trillion in deficits over the next ten years under the baseline that we and CRFB use, the Ryan budget has $5 trillion in non-defense budget cuts and $1 trillion in interest savings. It also includes lower defense outlays than under our baseline, and contains over $1.2 trillion in deficits. Under its numbers, which rest upon large unspecified policy savings, the Ryan budget balances in the tenth year while running deficits in the first nine years.

Of the $1.6 billion difference shown above, $1.2 trillion constitutes differences in non-defense spending: the sequestration, the SGR item, and the spending portion of the ARRA refundable credits. The remainder consists of war costs, revenues, and interest.