

# ***Stop the Slashing***

**A Guide for the Budget Perplexed**

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# Presenters

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and

**Moderator**

**Don Mathis,**

President and CEO,

Community Action Partnership



**Mystery Guest**



## Part One

# What's the Problem?

## We have a few:

- *Too many jobless*



Nearly 25 million un- or under – employed; 58.4% of population has a job – prior to recession, hasn't been this low since 1983.

- *Growing poverty and inequality*



Record increase in poverty in 2009 (to 43.6 million); all income growth from 2000-2007 went to top 10%

- *Incomes shrinking*



Bottom 90%'s income dropped from 2000-2007.

- *And yes – the federal deficit and long-term debt*

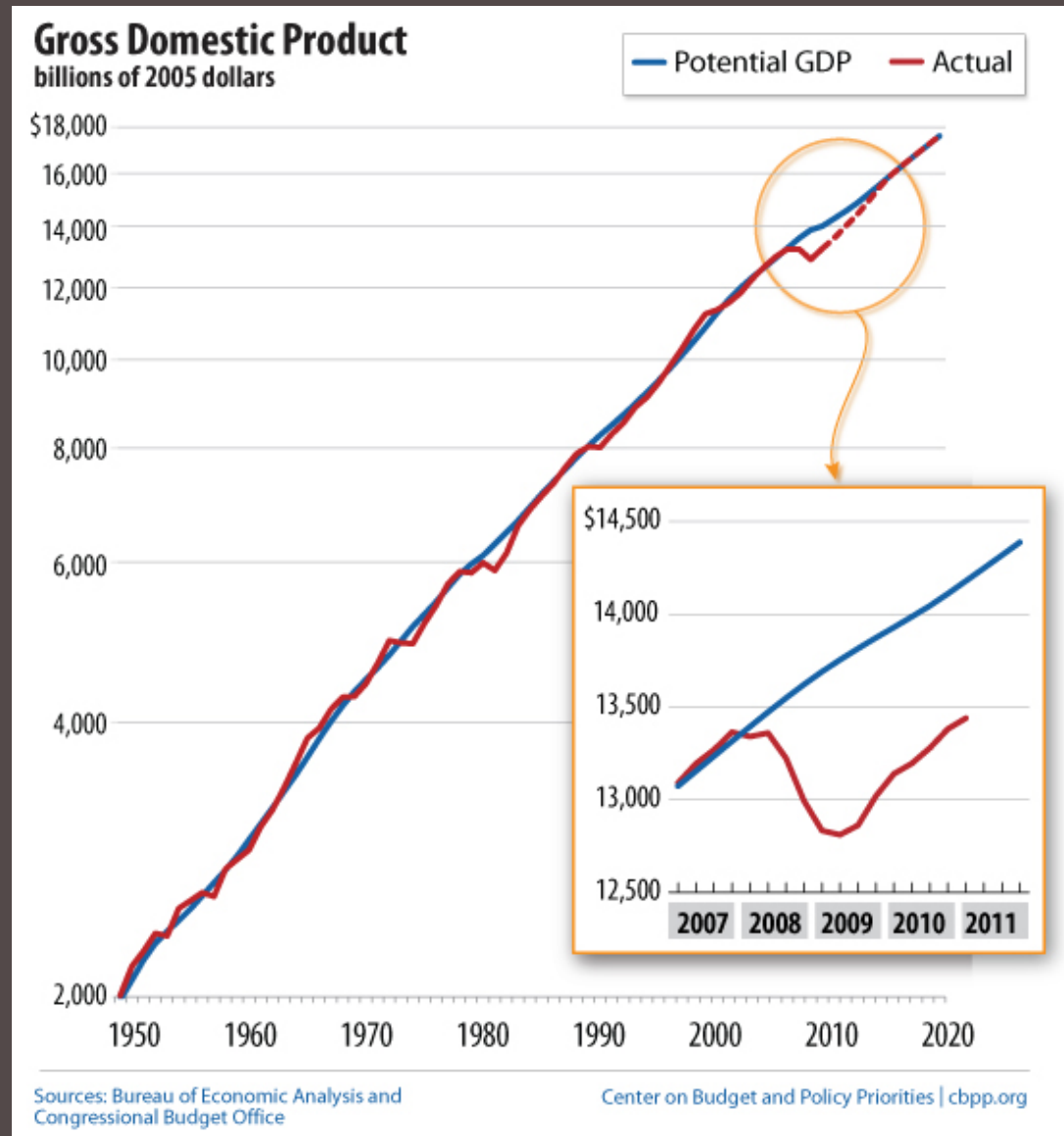
These problems are not unrelated.

**\$822 billion**

That's how much less demand for goods and services there was in the 1<sup>st</sup> quarter of 2011 than a stronger economy could have produced.

*Perkier economy*

➔ *lower deficits.*



## Deficit Causes

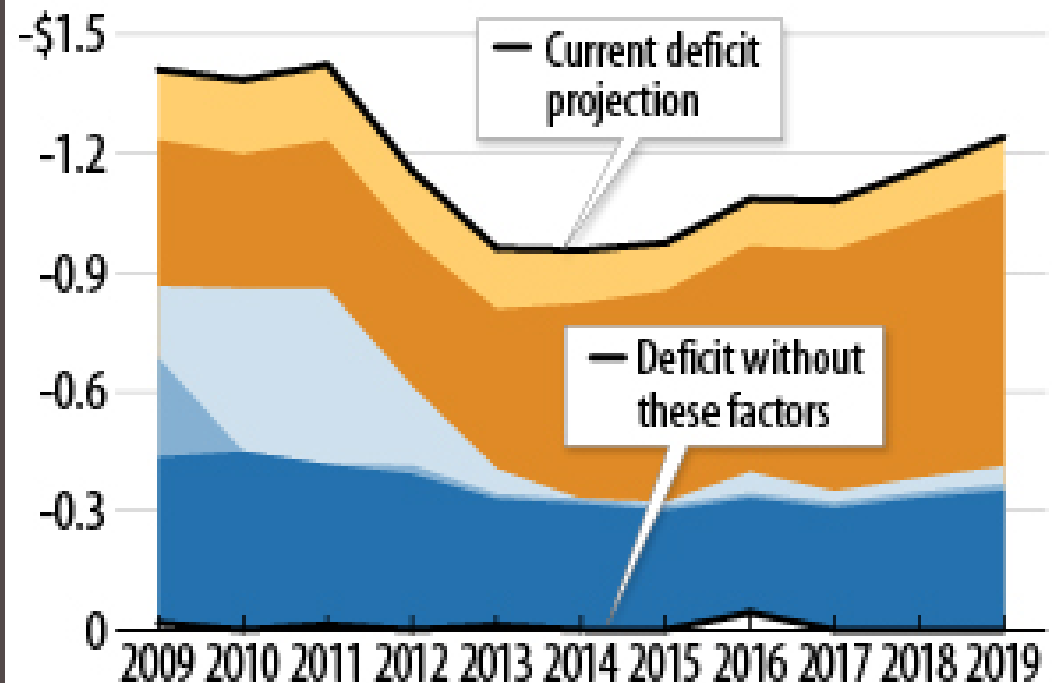
If the economy improved, the increased tax dollars collected and the reduced spending for aid and recovery measures would dramatically reduce the short-term deficit.

**But the Bush tax cuts and the wars also add to the deficit.**

## Economic Downturn and Legacy of Bush Policies Drive Record Deficits

Deficit, in trillions

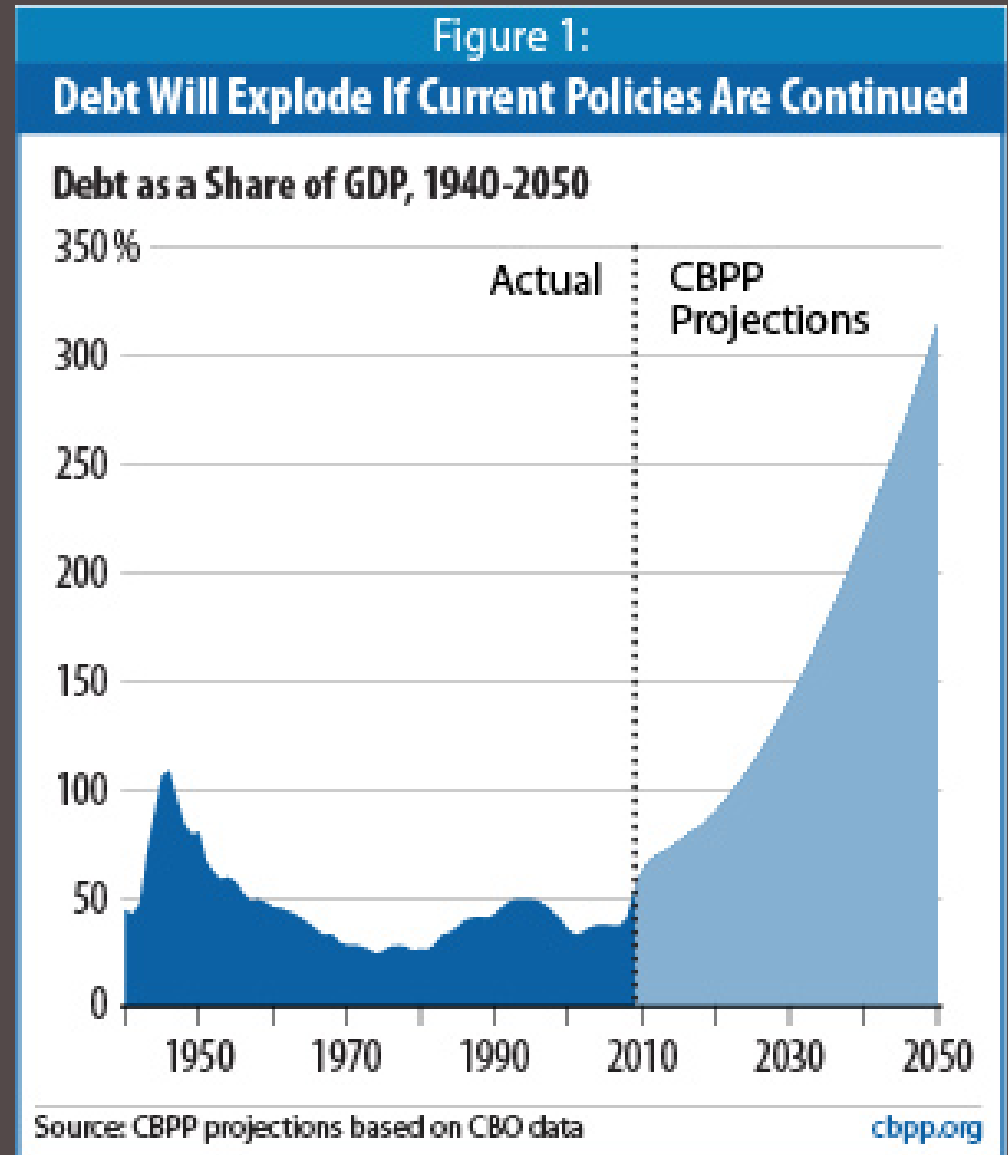
- Wars in Iraq and Afghanistan
- Bush-era tax cuts
- Recovery measures
- TARP, Fannie, and Freddie
- Economic downturn



Source: CBPP analysis based on Congressional Budget Office estimates.

But no kidding – long-term debt will not just fix itself.

We will need a combination of reduced spending and increased revenues to get us on a more stable path.





# *What's the difference between the federal deficit and the debt?*

**Federal deficit:** If the federal government spends *more* than it gets in revenues in any year, the difference is the **deficit**. (If it takes in more than it spends, there's a **surplus**.)

**Deficit now:** about 4.9% of GDP.

**Good goal:** about 3% of GDP over next 10-12 years.

**Federal debt:** *All* outstanding debt owed by the federal government. Now over \$14 trillion. Includes Treasury bonds, notes, etc. bought by people, businesses, foreign govts. Also includes money fed owes to itself (like Social Security Trust Fund).

**Debt now:** about 69% of GDP.

**Good goal:** approx. 65% of GDP in about 10-12 years.

# The Debt Ceiling

- Congress sets limits to the amount the federal government can borrow.
- We've hit the current limit. Sec'y Geithner now juggling bills.



now juggling bills.

**Aug. 2 = NO MORE JUGGLING!**



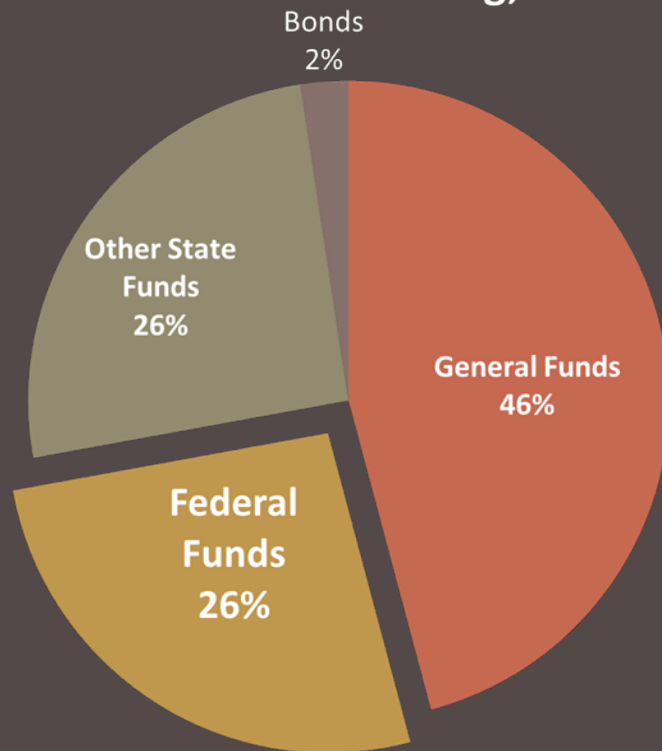
# Hostage Time!

- We have to increase the debt ceiling.
- People who want to shrink government are demanding spending cuts NOW and in future years before they will agree to vote to increase the debt ceiling. *But NO revenue increases!*
- **Tell-tale sign of government-shrinker, not debt-shrinker:** they want to **keep revenues low**, not raise them.

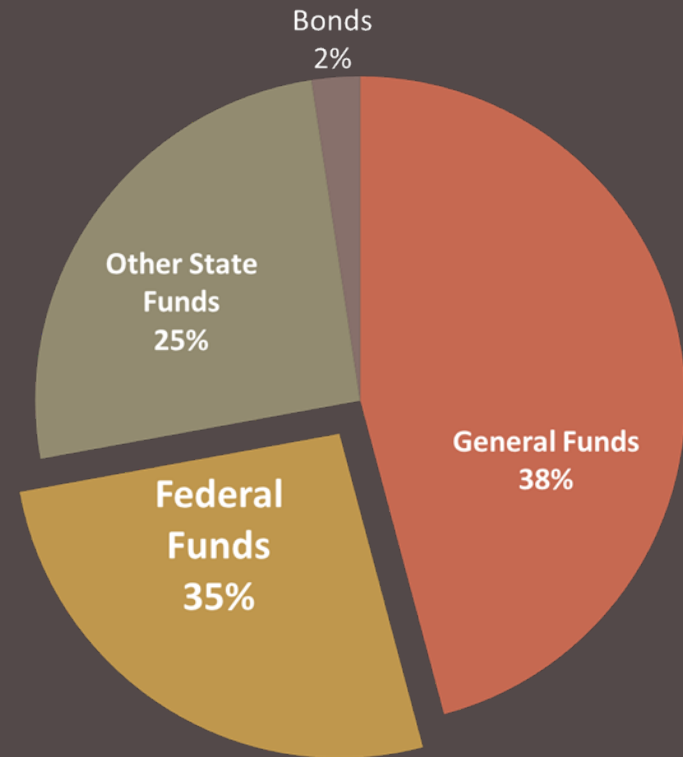


***Live in a state?*** You should care about the capacity of the federal government to provide 💰

Sources of State Funding, FY 2008



Sources of State Funding, FY 2010



***Can this nation afford to  
increase federal revenues?***

# POLL QUESTION

How much in federal corporate income taxes did 12 corporations with combined profits of \$171b pay from 2008-2010?

- \$60 billion
- \$40 billion
- \$15 billion
- -\$2.5 billion

# Top 1 %

*Can they afford to pay more in federal taxes?*

*How much money are we talking about here?*

## *Top 1% = over \$620,000*

- They got 38% of the Bush tax cuts
- They averaged \$97,000 each from the tax cuts.  
*(Top 0.1% averaged over \$500,000.)*
- End tax cuts for \$250,000+, gain over \$1T from 2009-2018.
- ALL Bush tax cuts added \$3 T to debt, counting interest, through 2007.
- From 2012-2021, will cost about \$4.6 T to make Bush cuts permanent.
- Top 1% got over 2/3 of all economic gains from 2002-2007.
- 400 highest income people paid effective rate of 18.1% in 2008, down from 22.3% in 2000.

# Are there proposals to reduce the deficit and debt responsibly?

**Yes** — *here's one example:*

## **Congressional Progressive Caucus:**

- Creates \$30.7b surplus by 2021
- Public debt as a share of GDP is 64.1% by 2021 (down 16.5% from realistic estimate of continuing current policies)
- Cuts spending, but leaves room for expanded public investment, while increasing revenues

Other plans: EPI/Demos, Century Foundation: **Investing in**

**America's Economy**: [http://www.epi.org/publications/entry/update-\\_investing\\_in\\_americas\\_economy/](http://www.epi.org/publications/entry/update-_investing_in_americas_economy/)

Roosevelt Institute Campus Network, **Budget for Millennial**

**America** <http://www.rooseveltcampusnetwork.org/blog/budget-millennial-america>

*On the other hand...*

Take it away, Joan!



# Understanding and Beating **Slash-onomics**

Joan Entmacher

National Women's Law Center

June 7, 2011

# Budget perplexed?

Debt limit?

Global spending cap?

Balanced budget  
amendment?

Mandatory spending?

Discretionary spending?

Appropriations bills?

Block grants?



# It comes down to 3 simple principles:

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- Protect low-income and vulnerable people in budget debates.
- Rely on increased revenues at least as much as spending cuts in any deficit reduction plan.
- Oppose budget procedures that would force deep cuts in spending but shield tax breaks.

# Slash-onomics

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- Slash programs for the poor and middle class in the name of deficit reduction.
- Take revenues off the table and give more tax cuts to the wealthy. (Deficits don't matter when it comes to tax cuts.)
- Change budget rules to lock in these distorted priorities.

# Different ways to implement slash-onomics

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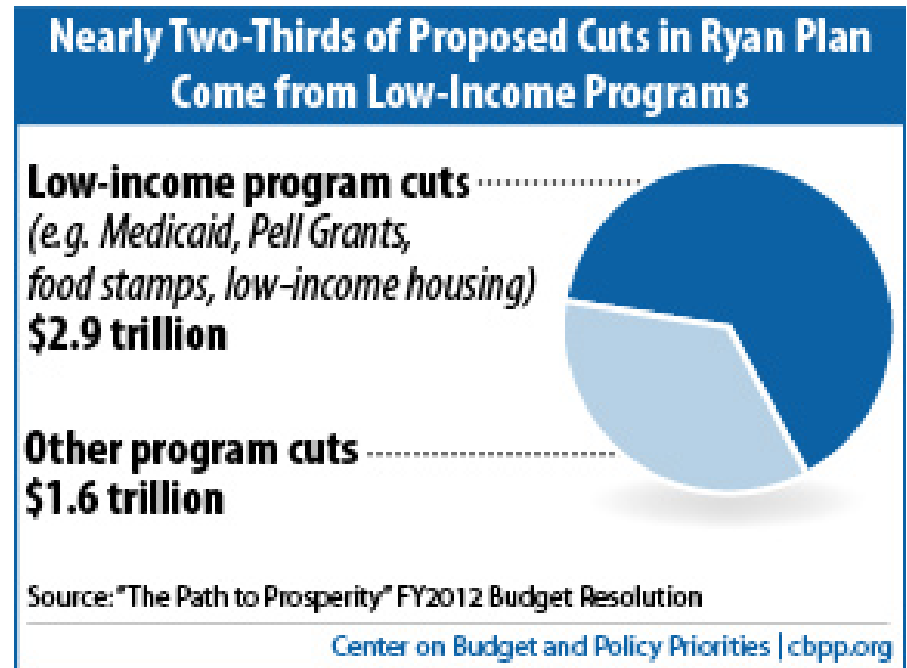
- Cut funding for “discretionary” programs in annual spending (“appropriations”) bills.
- Restructure “mandatory” programs (programs that don’t need annual appropriations).
  - E.g., block grant Medicaid, Food Stamps (passes costs on to states, reduces individual protections)
- Change budget rules (e.g., spending cap, balanced budget amendment, spending-only enforcement).
- *Hold must-pass bill to increase debt ceiling hostage to demand deep program cuts & budget rule changes.*

# House Republican (Ryan) Spending Cuts

## \$4.5 Trillion in Cuts, 2/3 from Low-Income Programs

- \$2.17 trillion cut from Medicaid and health care subsidies
- \$350 billion cut from low-income mandatory programs, e.g. SNAP (formerly Food Stamps), Supplemental Security Income, TANF, Pell grants.
- \$400 billion cut from low-income discretionary programs, e.g. Head Start, WIC, housing and energy assistance, meals-on-wheels.
- \$1.2 trillion cut from other “non-security” discretionary programs, e.g. food safety, environmental protection, medical research.
- \$369 billion cut from other mandatory programs.
- End Medicare as we know it.

Source: CBPP, [Nearly 2/3rds of Cuts Come from Low-Income Programs](#)



# House Republican (Ryan) Tax Cuts

- \$6.7 trillion in new tax cuts
  - \$3.8 trillion (extend Bush tax cuts & reduction in Alternative Minimum Tax but *not* recent Child Tax Credit & EITC improvements)
  - \$2.9 trillion (cut top individual and corporate tax rates, repeal progressive taxes for health reform, repeal AMT)
- Raise \$2.5 trillion in revenues from unspecified reductions in tax expenditures.
- Net tax cuts: \$4.2 trillion

Source: CBPP, [House Budget Places Top Priority on High-Income Tax Cuts, Ignores Deficit Reduction](#)

# Who benefits from the tax cuts in the Ryan budget?

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- The really rich. Average tax cut in 2013:
  - Income over \$1 million: \$192,500
  - Income over \$10 million: \$1,450,650
- The top 5% of taxpayers get:
  - virtually all the benefit of the new tax cuts
  - nearly half of the benefits of extending the Bush-era tax cuts.

Sources: CTJ, [Ryan plan would give huge tax cut to millionaires](#); [Bush tax cuts after 10 yrs](#)

# Who loses from the tax cuts in the Ryan budget?

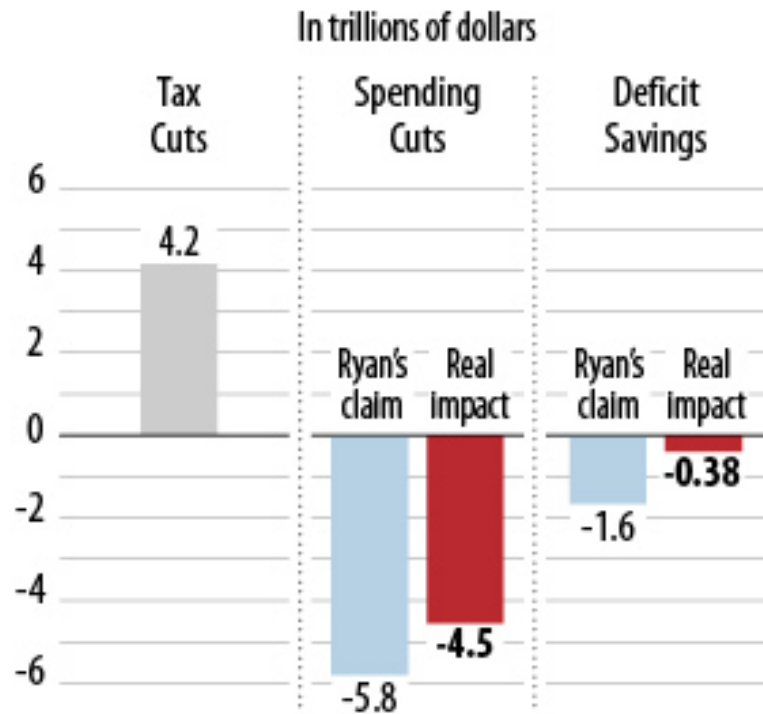
Low- and moderate income people lose 4 ways:

- Get little or nothing from the new tax cuts.
  - Average tax cut for bottom 60% less than \$500 in 2013.
  - 30% of single mothers and their children get zero.
- Lose tax benefits from *not* extending recent Child Tax Credit, EITC improvements.
  - Loss for single mother with 3 kids: \$2,100.
- Multiple cuts to public services and benefits outweigh any benefit from the specific tax cuts in the Ryan budget.
- Taxes may increase for the middle class and poor from the \$2.5 trillion in reductions in unspecified tax expenditures.

Sources: CTJ, [Bush tax cuts after 10yrs](#); NWLC, [McConnell tax plan leaves single mothers behind](#)

# What about deficit reduction?

## Ryan Plan's Deficit Reduction Much Smaller Than Claimed



Sources: Congressional Budget Office, CBPP analysis of the Manager's Amendment to the Fiscal Year 2012 Budget Resolution

# But the Senate defeated the Ryan budget!

## Why worry about it?

Back-door ways to get to the Ryan budget:



**Global spending cap**



**Balanced budget amendment**



**Spending-only enforcement**

# Polling slide: What's a global spending cap?

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- A limit on spending on foreign aid.
- A prohibition on new programs that aren't paid for with spending cuts or new revenues.
- A limit on total federal spending to a fixed share of the economy.
- A prohibition on the federal government's spending more than it receives in revenues.

# Behind Door #1: Global Spending Cap

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- It's a limit on total federal spending, including mandatory and discretionary spending, to a fixed share of the economy (Gross Domestic Product) each year.
  - Its cousins: “mandatory spending cap,” “health care spending cap,” “multi-year discretionary cap.”
- A spending cap of any type **only** applies to the **spending side** of the budget.

# A global spending cap would:

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- force destructive cuts to programs that millions of people depend on;
- require radical changes to Medicaid, Medicare and Social Security;
- reduce funding for other key domestic priorities like education and services for children; and
- prevent the government from responding to recessions.

# Let's get more specific.

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- Corker-McCaskill bill, limit = 20.6% of GDP. That's:
  - Lower than average spending (22%) during Reagan years – before baby boomer retirements, health care costs surged.
  - About the same as the Ryan budget over next 20 years.
- Automatic enforcement would cut Social Security, Medicare and Medicaid by 19% in 10 years:
  - Average Social Security benefit of \$12,000/year for elderly women cut to \$9,720, below poverty.
- Cuts even deeper after 10 years:
  - Rising # of elders, health care costs, force deeper cuts

# A global spending cap would *not*:

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- Limit tax breaks for the wealthy and corporations.
  - Congress could give away trillions in new tax cuts.
- Provide any incentive to Congress to close tax loopholes or raise taxes on the wealthy.
  - Congress couldn't spend above the cap even if it were fully paid for by closing tax loopholes.
- Ensure deficit reduction.

# Behind Door #2: Balanced Budget Amendment

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The “plain vanilla” version (1990s):

A constitutional amendment prohibiting the federal government from spending more than it receives in revenues each year, unless a supermajority of both houses approves additional spending.

# Why shouldn't the federal government have to balance its budget? States and families do.

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- States have separate capital budgets to borrow for roads, schools. Families can borrow to buy a home, start a business, finance an education.
  - Federal government couldn't borrow for investments.
- States and families can save for a rainy day.
  - Federal surplus couldn't help balance the budget the next year.
- States and families both rely on the federal government's ability to help out during economic downturns and other emergencies.

# Economists condemn “plain-vanilla” balanced budget amendment

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Statement on 1997 BBA by over 1,000 economists including 11 Nobel laureates:

“We condemn the proposed ‘balanced-budget’ amendment to the federal Constitution. It is unsound and unnecessary. . . . The proposed amendment mandates perverse actions in the face of recessions. In economic downturns, tax revenues fall and some outlays, such as unemployment benefits, rise. These so-called ‘built-in stabilizers’ limit declines of after-tax income and purchasing power. To keep the budget balanced every year would aggravate recessions.”

See CBPP, [Greenstein Statement on Senate GOP BBA](#) (3/31/11)

# Current versions of the BBA are far more extreme and dangerous!

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Balanced budget amendments in this Congress add:

- Global spending cap (18% of GDP)
- Super-majority of both houses needed to increase revenues.

These rules would be written into the Constitution!

*“Dopiest Constitutional Amendment of All Time?”*

– Bruce Bartlett, Advisor to Presidents Reagan and George H.W. Bush

# Behind Door #3: “Spending-Only” Enforcement

- This is a budget enforcement mechanism that calls *only* for automatic spending cuts, not tax increases, if a deficit- or debt-reduction target isn’t met.
- A deficit- or debt-reduction target isn’t inherently one-sided like a spending cap. It could be met by cutting spending, raising revenues, or a combination of both.
  - But if only automatic *spending* cuts occur if Congress fails to meet the target, the impact is like a spending cap, and
  - Policymakers who want *only* spending cuts would have no incentive to compromise on a balanced plan that includes increased revenues.

# Protecting Vulnerable People in Deficit-Reduction Plans

- Insist that deficit-reduction plans and budget enforcement mechanisms protect low-income and vulnerable people.
- Past deficit-reduction agreements exempted low-income assistance programs from automatic budget enforcement:
  - 1985 and 1987 Gramm-Rudman-Hollings laws, 1990 Budget Enforcement Act, 1993 Deficit Reduction Act, 1997 Balanced Budget Act, 2010 pay-as-you-go statute.
- Past deficit-reduction packages helped the vulnerable and reduced poverty:
  - 1990 package raised the EITC, 1993 package increased the EITC and Food Stamps, 1997 package created the Children's Health Insurance Program.

Source: Bob Greenstein, CBPP

# Conclusion

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- Budget policies that are both fair and fiscally responsible are possible –
- But only with your help, and
- Only if the very wealthy and corporations pay their fair share of taxes.

# Jeff Hayes

President and Founder,

.. S T R A T A L Y S ..

Research & Consulting

Joined with more than 400 signers of a  
petition circulated by

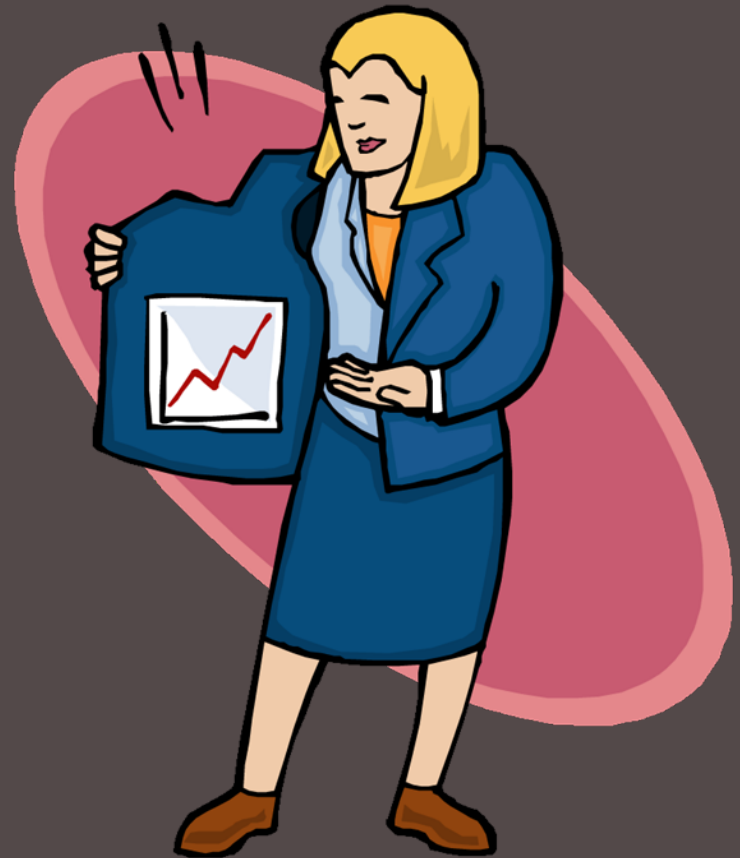
WEALTH FOR THE  
COMMON GOOD

<http://wealthforcommongood.org/>

# Now that you're a budget expert

## It's time to take action!

- ✓ Educate other advocates
- ✓ Educate the public
- ✓ Educate policy-makers
- ✓ Keep up to date: sign up at [www.chn.org](http://www.chn.org) – sign SAVE for All principles



# Educate other advocates

- Replay this webinar for people in your agency/congregation/organization/neighborhood
- Use the slides in your own presentation
- Hold a meeting to plan your group's actions that incorporates some of this information

# Educate the public

## *Be a Real World Reporter:*

- Write letters to the editor
- Write blogs, op-eds
- Collect stories for the CHN-Half in Ten StoryMap:

<http://www.halfinten.org/stories>

- Use stories in your writing, presentations



# Educate policy-makers

- Click and send email to Congress

[www.chn.org](http://www.chn.org) – Take Action



Call Senators and Rep toll-free: **888-907-1485**

Tell them: *It's time to end the Bush tax cuts for the wealthy and increase tax rates for millionaires. No more budget cuts until millionaires and corporate tax dodgers pay their fair share.*

- Send Senators/Rep copies of any LTE, etc. you write
- Send them stories you collect
- ▶ **Invite Rep or Senator to a social service agency or other community site**

# Resources

- Sign up for CHN and SAVE for All emails:  
[www.chn.org](http://www.chn.org)
- You'll receive page of links to info and sources used in this presentation
- Check SAVE for All campaign page at CHN website; check [www.nwlc.org](http://www.nwlc.org)
- You'll receive communications toolkit with sample letters to the editor and much more

# Thanks!



Need more info? Contact Angie Evans at [aevans@chn.org](mailto:aevans@chn.org)