

Protecting Our Nation from Bad Federal Budget Choices

February 19, 2013

A new round of federal budget cuts is slated to start on March 1. If nothing is done, the cuts will deny food to young children, turn low-income families out of their homes, and reduce funds for education and training. These indiscriminate across-the-board cuts (called “sequestration”) come on top of an average 7.6 percent [cut in federal funds](#) to states since 2010. The looming federal cuts would make things worse, hurting vulnerable people, shifting burdens to states and localities, and threatening economic growth.

This does not have to happen. Increased revenues from wealthy individuals and profitable corporations as well as savings from reducing waste in the Pentagon and elsewhere can prevent these cuts. In fact, Senate Majority Leader Harry Reid (D-NV) and other senators outlined a plan on February 14 ([the American Family Economic Protection Act](#)) that would replace the 2013 cuts by setting a minimum tax rate for millionaires, closing other loopholes, gradually cutting the Pentagon and ending certain farm subsidies. It will be up for a vote during the week of February 25. House Democrats have also introduced a balanced [alternative](#).

These cuts will hurt our nation. The indiscriminate cuts have the potential to stall the beginnings of economic recovery because lost jobs and reduced assistance mean people will have less to spend. The recovery still had not reached the 7.9 percent of the U.S. workforce unemployed in January 2013. We should be investing in rebuilding our communities and training for workers, not throwing 10,000 teachers and aides in low-income schools out of work, with about 700,000 jobs expected to be lost overall because of sequestration. And the real hardships caused by 600,000 young children and mothers losing WIC food assistance and between 110,000 – 125,000 families losing their housing vouchers nationwide do not just hold back our economy this year. They threaten the health and development of children and the stability of families in ways that will cost all of us for years to come.

Revenues, Not Cuts. Closing loopholes for corporations and the wealthy can generate well over \$2 trillion in federal revenue over the next 10 years. In order to stop the deficit from growing as a share of the economy, economists estimate that another \$1.5 trillion is needed over the next decade, either from new revenues or cuts in spending. Millionaires, who have gained more than [\\$1 million each](#) from the Bush tax cuts since 2004, can afford to pay more. A 5.6 percent surtax on income over \$1 million could raise more than \$450 billion over 10 years – enough to cancel most of the decade of domestic cuts slated to begin with this March’s sequestration. Taxing the profits of corporations sheltered offshore at the same rate as profits made in the U.S. can raise as much as \$600 billion over 10 years.

Don’t Touch SNAP and Medicaid. Congress should act now to stop the needless cuts in vital programs that will begin March 1, but should not replace them with cuts to essential services such as Medicaid or SNAP/food stamps. We have seen harsh proposals to cut these programs in the budget passed by the U.S. House for FY 2013 (but rejected by the Senate). The House budget would have [slashed \\$134 billion](#) from SNAP over 10 years, and [\\$810 billion](#) from Medicaid. If the

Sequester Damage	U.S.
Children and mothers losing WIC nutrition aid:	600,000
Low-income families losing rental housing vouchers:	125,000
Formerly homeless people losing housing:	100,000
Children denied Head Start:	70,000
Funding cut from Head Start:	\$406m
Children denied affordable child care:	30,000
\$ cuts deep enough to end services to these many low-income K-12 children:	\$1.2b
Fewer people with disabilities served by Vocational Rehab:	75,700
Fewer meals on wheels served to seniors:	4m
Adults and children with serious mental illness losing treatment:	373,000
Unemployment benefits cut for long-term unemployed:	9.4%
Jobs lost because of sequestration:	700,000

SNAP cut were to be applied by reducing benefits equally across all households, a family of four would be expected to lose \$90 a month in FY 2016 dollars. (This year, the national average monthly SNAP benefit for a family of four is [\\$508](#).) Or, if the extreme cut were applied by making people ineligible, 8 million people nationwide would be denied all SNAP benefits. If the House budget's extreme Medicaid cut had been in place from 2001-2010, most states would have received at least 35 percent less in 2010 than they actually did, such a huge cut that millions of people nationwide would either be denied coverage altogether or would see their benefits slashed. Taking food and medical care from our state's poorest people is a wholly unacceptable alternative to the cuts about to be imposed.

The Pentagon Can Be Cut. The deficit reduction legislation now in place requires nearly \$1 trillion in cuts between now and FY 2021, half from defense and half from domestic and international programs. Many experts believe that the Pentagon can be cut \$500 billion or more over the next decade, and that such reductions will actually enhance our national security by ending wasteful expenditures and freeing up the funds for more productive uses or for deficit reduction. Even if \$500 billion were cut, the U.S. would still be spending more on the military than [the next 14 nations combined](#), most of whom are our allies. Some examples of possible Pentagon savings with expert support: reducing the number of troops assigned to overseas bases by 25 percent (not counting troops in war zones) would save [\\$80 billion](#) over the next ten years; reducing deployed [nuclear warheads](#) to 1,000 – 1,100 would save \$28 billion over the same period; buying a reliable, cheaper jet rather than the problem-plagued [F-35C](#) would save close to \$17 billion.

But Investments in Our Future – and Vulnerable People – Must Be Protected. More than 1 in 5 children in the U.S. were poor in 2011. 13.2 percent of people between 18 – 24 nationwide had not finished high school. For poor children and young adults to succeed, we need to invest in all levels of education. But the sequestration cuts would deny Head Start to 70,000 children this year, and cut Title I K-12 education funding for schools in low-income communities by nearly \$726 million, an amount equal to dropping services for 1.2 million low-income children. For our economy to grow, workers must be able to increase their skills, but federal job training funds will be cut by more than \$160 million nationwide if the sequester reductions occur this year, and more than 75,000 workers with disabilities will not be able to enroll in vocational rehabilitation services. In a time of rising inequality and more people falling out of the middle class into poverty, we need more routes out of poverty. But the impending cuts would deny Work-Study aid to 33,000 students. Struggling workers will be hit repeatedly: if they are among the long-term unemployed, cuts in federal emergency unemployment compensation will force an up to 9.4 percent cut in benefits, estimated at an average loss of \$400 for the rest of this year. If they are parents working or looking for work, they may lose child care assistance; the cuts are expected to end child care subsidies for 30,000 children across the country.

We cannot sustain and expand economic recovery while pushing our most vulnerable people into more desperate straits. The cuts about to take effect will take away rental assistance vouchers from between 110,000 – 125,000 families nationwide. These vouchers limit the families' rent payments to 30 percent of their income. If they were abruptly expected to pay market rents, large numbers of these families will be forced out of their apartments, with increasing homelessness a certainty. At the same time, sequestration will end housing assistance to approximately 100,000 formerly homeless people nationwide, including veterans. To add to poor families' struggles to afford housing, home energy assistance will be cut an estimated \$180 million. Even without this cut, rising heating costs mean that aid under the Low Income Home Energy Assistance Program (LIHEAP) is expected to average only [\\$375 per household](#) served in 2013, down from \$405 in 2012.

Even though there is ample evidence that adequate nutrition is vital for brain development in the first years of life, the impending indiscriminate cuts would deny WIC nutrition aid to 600,000 mothers, infants, and young children. The cuts will also jeopardize the health of seniors, with 4 million fewer meals delivered nationwide.

Cuts That Increase Joblessness and Disinvest in Our People Will Weaken the Nation.

Congress should stop the mindless across-the-board sequestration cuts. Instead, it should enact a balanced package with enough revenues from the wealthy and corporations and sensible Pentagon and other savings to protect our children, our workers, and our seniors.

Those who oppose any new revenues or Pentagon savings should be asked why they think it is more important to preserve, for example, hundreds of billions in corporate tax incentives to shift jobs and profits offshore or to waste hundreds of billions in unneeded weapons and bases than to prevent cuts in education, housing, nutrition, environmental protection, public health, child care, rebuilding communities, and many other investments.

For more information, contact Deborah Weinstein, Coalition on Human Needs, dweinstein@chn.org