

Trump's \$4.8 Trillion Fiscal Fantasy

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The Trump White House on Monday released a \$4.8 trillion budget for 2021 that calls for steep reductions in spending on safety net programs including Medicaid while proposing greater outlays for the military and an extension of the 2017 Republican tax cuts.

The budget is almost certainly dead on arrival, with no chance of passing in the current Congress, but it signals the administration's priorities for a possible second term while providing both Republicans and Democrats with political fodder heading into the 2020 election.

The administration's budget is consistent with those offered in the previous three years – though in ways that highlight how far the president has moved from his campaign platform in 2016, which promised, among other things, cheaper health care for everyone, a border wall paid for by Mexico and the elimination of the national debt. “On immigration, health care, infrastructure and the deficit, the final budget pitch of Trump's first term will look much different from the campaign platform he offered four years ago,” Jeff Stein and Erica Werner of The Washington Post said Monday.

The budget proposes \$4.4 trillion in spending reductions over 10 years, including \$130 billion from changes to Medicare prescription-drug pricing; \$292 billion from reductions in safety net programs, some of which will adopt more stringent rules, including new work requirements for food stamps and housing assistance; and \$70 billion from tightening eligibility rules for disability benefits. The cuts to Medicaid reportedly come to about \$920 billion over 10 years.

“A lot of these are smart, thoughtful reforms. Many are bipartisan, and versions appeared in Obama budgets,” Marc Goldwein, senior policy director at the Committee for a Responsible Federal Budget, told Bloomberg. “A number of them would actually reduce costs or improve the situation for beneficiaries of the programs, as well the budget.”

Other departments and agencies, meanwhile, would see increases, including a 13% rise for the Department of Veterans Affairs, a 12% boost for NASA and a 19% jump for the National Nuclear Security Administration. The budget seeks \$2 billion in new funding for construction of border barriers, less than the \$5 billion the administration requested last year.

Here's are some key points you need to know:

Steep cuts in non-defense spending: Trump's budget sticks to the \$740.5 billion defense budget Congress agreed to as part of a two-year budget deal last summer. But it calls for 7% less in non-defense spending than the deal included, or \$590 billion instead of \$634.5 billion. Non-defense

discretionary programs would be cut by an additional 2% each year thereafter, for a total of \$1.9 trillion in reductions over a decade.

The cuts include:

- A 21% reduction in foreign aid, which would fall from \$55.7 billion in 2020 to \$44.1 billion in 2021.
- A 26.5% cut to the Environmental Protection Agency.
- A 37% cut to Commerce Department, in part due to the completion of the 2020 census.
- A 9% cut for the Centers for Disease Control and Prevention.
- A 13.4% cut to the Interior Department.
- A nearly 8% cut to the Department of Education.

The budget is projected to balance in 15 years — even as the tax cuts are extended: The budget projects \$4.6 trillion in deficit reduction over 10 years, with the bulk of that coming from the \$4.4 trillion in spending cuts. Even so, the gross national debt would rise to above \$30 trillion over the next decade.

The White House says annual deficits would be eliminated in 15 years, although that projection is based on extremely optimistic assumptions about economic growth over the period. The administration assumes a growth rate of 2.9% over the coming decade, nearly 50% higher than the 2% growth rate or less predicted by most economists.

And the elimination of the deficit is projected to occur even as the individual provisions in the Tax Cuts and Jobs Act, set to expire at the end of 2025, are extended. Allowing the tax cuts to remain in place is estimated to cost \$1.4 trillion, though the administration also claims the new cuts will pay for themselves. The Trump administration has also indicated that it could propose additional tax cuts later this year.

A missed opportunity? The president's budget request won't be approved by Congress, which has ignored or rebuffed Trump's past attempts to slash domestic spending. But Trump opted for a political messaging document rather than a more realistic effort to influence next year's spending, Politico's Jennifer Scholtes and Caitlin Emma suggest: "Since Trump and congressional leaders already settled on new funding caps for the fiscal year ahead, this budget was the president's big chance to give realistic feedback on how he wants Congress to divvy up that cash. Instead, he burned that opportunity in favor of penning another fiscally conservative dream document lawmakers will largely disregard, though its cuts could please his base in November and get recycled should he win another four-year term."

The political battle has already begun: The administration is portraying its budget in conventional conservative terms, saying it seeks to bring "unsustainable" federal spending "under control." Chris Edwards of the right-libertarian Cato Institute praised the plans while calling for more aggressive spending cuts, writing Monday that, "Most of the Trump cuts make sense, although larger entitlement reforms should be pursued."

But the budget opens Trump up to plenty of attacks from the left. Sen. Bernie Sanders, a leading contender for the Democratic presidential nomination and the ranking member of the Senate

Budget Committee, excoriated the blueprint as “an immoral document” that shows Trump is a liar. “Just last week, President Trump told the American people in his State of the Union that he would ‘always protect your Medicare’ and ‘always protect your Social Security. Always,’” Sanders said. “Today, President Trump released a budget that cuts Medicare by half a trillion dollars. It cuts Social Security by \$24 billion, including an \$11 billion cut in Social Security Disability benefits.” Expect to hear much more of that no matter which Democrat gets the nomination.

Where there may be room for compromise: Administration officials reportedly acknowledge that, given the budget deal passed by Congress last year, this proposal will likely be a non-starter. But the administration is targeting \$135 billion in deficit reduction as a result of lower prescription drug prices — a number in line with the budget score for a bipartisan drug-pricing bill from Sens. Chuck Grassley (R-IA) and Ron Wyden (D-OR).

The other election effect: “Budget analysts expect lawmakers to punt final decisions on 2021 spending until after the November election, and instead fund the government with temporary spending measures for the first few months of the fiscal year,” The Wall Street Journal’s Kate Davidson and Andrew Restuccia write.