The Ryan Plan for the Federal Budget
Massive Cuts Target Low-Income Families

Late last month, the U.S. House of Representatives passed Budget Committee Chairman Paul Ryan's budget plan for federal FY 2013. The plan's devastating cuts total $5.3 trillion over the next 10 years — $3.3 trillion of which would come from low-income programs that are essential to vulnerable kids, families, and communities. The proposal would slash health care, income and work supports, and educational opportunities for millions of low- and middle-income Americans — while providing trillions of dollars in tax cuts for the wealthiest Americans.

The $3.3 trillion in non-defense budget reductions affecting low-income households accounts for 62 percent of the plan's total cuts and includes both discretionary and entitlement programs. The budget proposal jeopardizes Medicaid, the Supplemental Nutrition Assistance Program (SNAP), and numerous other programs serving low-income populations. The plan would also increase the tax burden on low- and moderate-income families while enacting new tax breaks for the wealthy.

Cuts in Medicaid

A proposed Medicaid block grant would dramatically reduce funding to states. Shifting Medicaid from an entitlement program to a block grant would cut the program by $2.4 trillion, or 22 percent, over the next 10 years. In addition, the budget would remove the Affordable Care Act’s (ACA) Medicaid expansion, as well as its subsidies to help low- and moderate-income people purchase health insurance. In fact, the non-partisan Congressional Budget Office estimates that by 2050, the House plan would further decimate funding for Medicaid, the Children's Health Insurance Program (CHIP), and low- and moderate-income subsidies in the ACA by more than 75 percent.¹

About 2.5 million Illinoisans are enrolled in Medicaid. Under the Ryan plan, hundreds of thousands of them — primarily children, low-income parents, people with disabilities, and seniors — could be left without health care coverage.

Cuts in SNAP

The Ryan plan would also endanger the SNAP program by converting it into a block grant, which would reduce funding by $134 billion over the next decade. In 2010, SNAP reduced the number of Americans in

¹ “Ryan Medicaid Block Grant Would Cut Medicaid by One-Third by 2022 and More After That” (Center on Budget and Policy Priorities, March 27, 2012).
poverty by about 4 million people. Nearly 2 million of those lifted out of poverty by SNAP were children. For millions of others, SNAP significantly reduced the depth and severity of poverty. And in 2010, an estimated 63,000 Illinois children were moved above poverty level by SNAP.

Converting SNAP to a block grant, as proposed, would render the program ineffective and unable to help those hit hard by the economic downturn. It could also eliminate millions of needy families from the SNAP program. Three-quarters of SNAP households are families with children. If the cuts came only from reducing eligibility, 8–10 million people would lose benefits. If the cuts came only from reducing benefits, a family of four would see its benefits cut by about $1,100 a year. It could put 1.9 million Illinoisans at risk for either elimination or significant reduction of benefits.

The House Agriculture Committee has approved an additional $36 billion in cuts from SNAP, which would drive even more families into poverty and thrust millions of others into deeper poverty. The proposal would eliminate benefits for 2 million people and reduce benefits for another 44 million. Employment and job training funds would be cut by 72 percent. In an already sluggish economy, taking away job training opportunities for the unemployed would significantly increase their difficulties in finding work.

Other Programs that Serve Low-Income Populations

The budget plan also requires about $754 billion in cuts to both mandatory and discretionary programs for low-income populations. For the most part, the affected programs are unspecified, but available documents indicate that the targets will include income security programs, job training, and the Pell Grant program for low-income college students. These reductions would be in addition to those cuts required in the Budget Control Act.

More Tax Cuts for the Wealthy

The House budget would increase the tax burden on many low-income working families. Under the Ryan plan, the refundable portion of the expansions of the Earned Income Tax Credit, Child Tax Credit, and American Opportunity Tax Credit — enacted in 2009 — would be allowed to expire at the end of 2012.

References:

2 "House Agriculture Committee Proposal Would Cut 2 Million Off Food Stamps, Reduce Benefits for More Than 44 Million Others" (Center on Budget and Policy Priorities, April 18, 2012).


4 "Ryan Budget Would Slash SNAP Funding by $134 Billion Over Ten Years" (Center on Budget and Policy Priorities, April 18, 2012).

5 The House budget proposal only requires the Agriculture Committee to come up with $33.2 billion in savings over the next 10 years; however, the Congressional Budget Office estimates the Agriculture Committee proposal would actually cut a total of $35.8 billion. "House Agriculture Committee Proposal Would Cut 2 Million Off Food Stamps, Reduce Benefits for More Than 44 Million Others" (Center on Budget and Policy Priorities, April 18, 2012).

6 "Chairman Ryan Gets 62 Percent of His Huge Budget Cuts from Programs for Lower-Income Americans" (Center on Budget and Policy Priorities, March 23, 2012).
In stark contrast, the Ryan plan contains $10 trillion in tax breaks for the wealthy over 10 years — representing $400,000 a year for those making over $1 million. These tax breaks include:

- Permanently extending the 2001 and 2003 tax cuts for the wealthiest people (at $129,000 a year for millionaires).
- Drastically reducing the top income tax rate for individuals and corporations from 35 percent to 25 percent.
- Eliminating the Alternative Minimum Tax, which is in place to ensure wealthy individuals pay a minimum amount.
- Eliminating the ACA's Medicare tax increase for the wealthy.

The proposal claims to offset the new tax cuts totaling $4.6 trillion (the last three tax cuts above) by reducing unspecified tax expenditures. Experts generally agree that policymakers would find it very difficult to reduce tax expenditures on this scale.

**Next Steps in the Budget Process**

The Ryan budget instructs six House committees to cut programs in their jurisdictions by an additional $261 billion over 10 years. The Agriculture Committee has already decided on its cuts, which come entirely from SNAP and total $36 billion (as explained above). These cuts would substitute for the automatic reductions in defense spending that are scheduled to take place under the Budget Control Act.

Both the House and Senate Appropriations Committees aim to mark up their bills this month. While the House will use the Ryan budget as its base, the Senate allocations will use the higher numbers from the Budget Control Act.

Our priorities as a nation must reflect growing opportunities for our future generations, but the House budget would undermine those opportunities. Rather than strengthening health care, education, and income and work supports for children and families, the Ryan budget offers fiscally irresponsible cuts that would create even greater obstacles for low-income families — especially during a slow economic recovery. To stabilize our nation and strengthen our economic recovery, the final budget must do a better job than the Ryan proposal of protecting our most significant investments in the well-being of children, families, and communities.

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7 "New Tax Cuts in Ryan Budget Would Give Millionaires $265,000 on Top of Bush Tax Cuts" (Center on Budget and Policy Priorities, April 12, 2012).

8 The top marginal income tax rate is scheduled to increase to 39.6 percent in 2013.

9 "Ryan Budget’s Claim to Finance Its Tax Cuts for the Wealthy By Curbing Their Tax Breaks Does Not Withstand Scrutiny" (Center on Budget and Policy Priorities, March 22, 2012).
ABOUT THE FISCAL POLICY CENTER

The Fiscal Policy Center at Voices for Illinois Children provides timely, credible, and accessible information and analysis on fiscal issues that affect children, families, and communities in Illinois. The FPC is a member of the State Fiscal Analysis Initiative (SFAI), a network of nonprofit organizations in more than 40 states. SFAI is coordinated by the Center on Budget and Policy Priorities, a Washington, D.C.-based research organization and strategic policy institute that works on a range of federal and state issues.

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