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ISSUE BRIEF

Reducing Federal Investments in Human Needs Hurts Us All

The 119th Congress is considering passage of an agenda proposed by President Trump to extend and expand tax cuts for corporations and wealthy individuals. Currently, that looks like strip-mining health care and food assistance programs by making the largest cuts to Medicaid and the Supplemental Nutrition Assistance Program (SNAP) in history and hiding their dangerous actions behind the mask of cutting federal spending for the greater good. Congressional leaders in both chambers are using a legislative strategy called “reconciliation” to accomplish their goals, and if successful the equity gap will grow, creating lasting damage and causing individuals, families, and communities to be left behind without critical resources.

WHAT IS AT STAKE?

The bill includes sweeping cuts to social safety net programs and other resources that support individuals and families across the country. Medicaid and SNAP received some of the severest cuts while dramatic changes to tax credit availability and student loan forgiveness options contribute to fears of instability for the majority of Americans.

WHAT IS RECONCILIATION?

The reconciliation procedure is an optional process, that expedites the drafting and passage of legislation focused on spending, revenue, and debt limit laws. One primary hallmark of this process is in the Senate. Reconciliation bills, limited to one session, are not subject to filibuster and amendments must meet stringent guidelines. It requires only a simple majority of 50 votes to pass a reconciliation bill rather than the 60 votes usually required to pass legislation in the Senate.

The reconciliation process begins with adopting a budget resolution that includes reconciliation instructions for individual committees. Then, specific committees report legislation in response to the instructions. The Budget Committee then pulls all responses together and reports the bill to the full chamber. From here the bill follows the well-known next steps in which the bill is considered on the chamber floor, differences between House and Senate chambers are resolved, and the bill is signed into law or vetoed by the President.

Since 1980, this procedure has been used to pass 25 reconciliation bills including deficit-reduction packages under President Reagan, the Bush tax cuts in 2001 and 2003, amending the Affordable Care Act in 2010, the Tax Cuts and Jobs Act from the first Trump Administration, and the COVID-19 relief package known as the American Rescue Plan Act of 2021.

In May, the House pushed their version of the budget reconciliation bill through a rushed process—oftentimes in the late or early hours of the day. The House voted to pass the bill in a razor thin margin of 215-214 with 215 Republicans voting yes, all Democrats voting no in addition to two Republicans, and one member voting present. Two Republican members did not vote.

The House sent their bill over to the Senate who used that version of the bill to draft their own bill. Initially, there was hope that the Senate would take a pragmatic approach that would balance the demands of their party with the needs of individuals, families and groups. Unfortunately, the Senate version differs very little from the House version and does nothing to negate some of the worst harms laid out in the House bill.

Right now, the Senate is working with the parliamentarian to assess the provisions in the bill that are outside the purview of the reconciliation process. Once they have a version, they will send the bill to the floor for a vote and will confer with the House on a version they plan to send to the president. The timeline for these next steps is quick, with a vote by the end of June and hopes to send the final version of the bill to Trump by the 4th of July.

MEDICAID

Republicans in the House passed nearly $800 billion in cuts to Medicaid, the largest cut to Medicaid in history. Over eight million Americans could lose their health care coverage and the health system as a whole would be significantly impacted leading to limited access to less care. To pay for these cuts, the following changes are made to the Medicaid Program;

- Repeal regulations that help children enroll in and maintain their healthcare through access to Medicaid and the Children’s Health Insurance Program (CHIP).
- Penalize states if they use state-only funds to provide coverage to undocumented individuals by cutting the amount of money the federal government pays for Medicaid expenditures, known as the Federal Medical Assistance Percentage (FMAP). This retaliation would impact 33 states and Washington, D.C. for providing coverage to undocumented immigrants or lawfully present pregnant women and children.

» Prohibit the use of federal funds to support provider-directed, medically necessary surgical or medical interventions for transgender youth, and prevent states from defining gender affirming care as an essential health benefit so it cannot be paid for in any situation.
» Impose a job-loss penalty that increases paperwork burdens for Medicaid participants while not increasing work participation.
» End Medicaid eligibility for many lawfully present, taxpaying immigrants by requiring citizenship to access this program and other health care resources from the Affordable Care Act.

Medicaid is a crucial investment in early childhood health and development outcomes, and it also helps ensure more parents are healthier and better able to care for their children. When parents have coverage, their children are more likely to be covered and receive regular health care screenings. With the reduction of investment in Medicaid, providers, including clinical social workers will face a loss of resources and jobs, creating an unprecedented gap in critical behavioral health services. States rely on federal investments for Medicaid to fund services that communities need like keeping rural hospitals open and providing essential services like behavioral health treatment, preventative care, and prenatal care. Cutting Medicaid funding or reducing access will cause irreparable harm to families.

SNAP

Many people are struggling to put food on the table and this bill takes away nutrition assistance from the people who need it most. According to Feeding America, 47 million people, including 14 million children, in the United States are food insecure. SNAP is a government nutrition assistance program that provides food benefits to low-income families. According to the USDA who is responsible for SNAP, "the program supplements their grocery budget so that they can afford nutritious food essential to health and well-being." In fiscal year 2023, SNAP served over 42 million people per month. The reconciliation bill makes the largest cut to SNAP in history—$295 billion—at a time when families are struggling with the high cost of food. These cuts include a new proposal to shift the cost of SNAP benefits to states—a move that could be devastating for state budgets. Currently, 1 out of every 3 households participating in SNAP have children under the age of 5, with these federal dollars keeping 4.5 million young children fed and healthy. Forcing states to take on more of the costs for this program puts families in danger of losing this resource completely as many states cannot support the program.

This proposal also imposes drastic work requirements—even as it has been demonstrated that making it tougher for people to meet their basic needs makes it more difficult for people to find work.

Participation in Medicaid and SNAP currently helps streamline access to other resources and clinical social workers would see the impacts of these cuts firsthand when families lose access to free and reduced school meal programs and Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) programs, further exacerbating nutrition deficiencies in this country.

Families rely on SNAP to put food on their table and feed their young children. Cutting off access to this program hurts the very families with children the proponents of this bill say they are helping.

TAX CREDITS

The Budget Reconciliation bill is primarily a tax bill. When this process was used in the midst of the COVID-19 pandemic, we saw major investments into individuals, families, and marginalized groups. In 2021, the American Rescue Plan Act expanded the Child Tax Credit (CTC), making it fully available to families with low and moderate incomes—including families of 17 million children who are frequently left out because their families do not meet income thresholds. Now, the CTC will be denied to one in four families that need it most. The proposed bill also excludes 4.5 million citizen and legal resident children from receiving the credit because they are in families in which one or more parents do not have a Social Security Number.

While the bill would increase the amount of the credit from $2,000 to $2,500 for the next four years, it would only go to families who are already eligible for the full credit including families making up to $400,000 a year, who would get an extra $500 per child. The impact will be felt more significantly by many children in non-white households, children in immigrant families (including Dreamers), and those in families headed by single mothers.

19.3 million people receive premium tax credits (PTC) that "provide upfront financial assistance to help people afford the individual or family health insurance plans offered in their state through the ACA marketplaces." PTC help enrollees save an average of $700 by lowering the caps on premium contributions and allowing people with incomes at or slightly above the federal poverty level pay $0 for silver-level premiums.

In 2021, the PTC was expanded, allowing record coverage among Black and Latino people and families with lower incomes as the uninsured rate hit an all-time low. These credits are set to expire this year. The reconciliation bill was the opportunity to extend them and keep millions of people insured but sadly it allows the PTC to expire. Instead, this bill will raise the rates of uninsured individuals and increase child poverty as more than 2 million children will see food assistance to their families reduced or terminated and all children will risk losing some or all of their healthcare benefits depending on how states react.

STUDENT LOANS

If signed into law, the reconciliation bill will completely change federal financial aid programs, the ways individuals repay their loans, increase the cost of college for individuals, and reduce access. The proposed bill eliminates federal Direct Subsidized student loans that do not accrue interest while undergraduate students are in school. It also dramatically reduces Pell Grants which support primarily non-white students from low-income families who face food or housing insecurity. Cutting off these loan programs would push many students to predatory private lenders and may exclude students from higher education all together.

In the 2022-2023 academic year, the average cost of four years in an undergraduate program, including books, tuition, fees, room, board, and other expenses was between $27,100 for public institutions to $58,600 for private schools. The reconciliation bill sets a rigid lifetime cap on undergraduate borrowing of $50,000. The proposal also places a maximum cap of $50,000 on parents for the Parent PLUS loans, regardless of how many dependents they have. Additionally, the bill eliminates the Graduate PLUS loan program that has helped close to 2 million current borrowers, including many social workers, afford graduate school. All these caps harm borrowers who are Black, students without a parent or guardian with good credit, whose parents are paid low wages, and families juggling other responsibilities. The outcome for many aspiring social workers and other individuals is severely limited access to a college education and to the professions to which they are called.

For borrowers in repayment, their payments will increase. The bill overhauls the existing federal repayment options by eliminating the Saving on A Valuable Education (SAVE) Plan which currently has 8 million individuals enrolled. These families will be forced to make immediate payments on their loans. The Income-Contingent Repayment (ICR) plan which has 1.2 borrowers enrolled will be moved to the less generous Income-Based Repayment programs, and Pay As You Earn (PAYE) plan for all 1.3 million borrowers, causing them to pay 15 percent of their income.

The bill eliminates all current Income-Driven Repayment (IDR) plans for future borrowers, forcing them to choose between standard repayment or the Repayment Assistance Plan which costs thousands more than all current IDR plans. Student borrowers with or without a college degree will see payment increases.

Making college more expensive not only impacts the future of the workforce but also pushes the ability to achieve economic mobility and growth further out of reach of millions of Americans.

Now that the House has passed this budget reconciliation package, the Senate will begin their process in the coming days. While Congress continues the rush to move this large-scale bill forward, many people are struggling to put food on the table, grappling with health costs, dealing with the high costs of student loan repayment and college, and other hardships in an increasingly uncertain economy.

Take action now and fill out this action alert and help ensure Members of Congress reject these misguided cuts. Cutting the programs that help meet the basic needs of the poorest in our society should not be the focus of this legislation.

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