



Bread for the World Louisiana

**The Twomey Center for Peace Through Justice
Loyola University New Orleans**

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HUNGER & THE FEDERAL BUDGET

Members of Congress are debating budget bills and deficit reduction proposals that will have major consequences for hungry and poor people. The debate can be confusing—how can we cut through the rhetoric and decide about budget decisions?

Myth: We can balance the budget by cutting the budget that Congress approves in spending bills each fiscal year (which runs from October 1 to September 30).

Reality: Cuts to non-security discretionary spending—the non-military portion of the funding Congress must renew each year by passing appropriations bills—cannot solve the deficit problem.

Non-security discretionary spending is less than one-fifth of the total U.S. budget. It includes many programs that meet the needs of low-income people (such as WIC and international food aid) as well as other spending that is in the

public interest such as repairing bridges. In February 2011, the House of Representatives passed an appropriations bill (H.R. 1) that targeted non-security discretionary spending for deep cuts during the remainder of FY2011. Proponents argue that the cuts are necessary to balance the federal budget. But U.S. discretionary spending is simply too small an amount to either cause or reduce the deficit.

The sheer size of our current and projected deficits means that if lawmakers are to solve the problem, they must consider the primary causes of the deficit and work with the budget as a whole rather than individual line items.

According to the Center on Budget and Policy Priorities, 3 items explain “virtually the entire deficit over the next 10 years”: **1) the recession, 2) the tax cuts of 2001 and 2003, and 3) the wars in Afghanistan and Iraq.** In addition to addressing these causes, Congress needs to develop strategies to respond to the longer term. These come from “big-picture” aspects of our society: an aging population, rising health care costs, and insufficient revenue.

**Congress must reduce the deficit
in a way that will harm neither
those who can least afford it nor
the country’s economic future.**

The U.S. budget as a whole is not dominated by line items such as international food aid and nutrition assistance for low-income Americans. Together, the military, Social Security, Medicare, Medicaid, and interest on the national debt total more than 70% of the annual budget. Domestic safety-net programs did not cause the budget deficit. Cutting them would harm low-income families without improving our country's fiscal health.

The House chose instead to target smaller spending categories with weaker political constituencies. Food aid, for example, provides humanitarian assistance to people in poor countries who desperately need help. WIC benefits low-income pregnant women, infants, and children younger than 5—nearly 9 million people last year – infants and children can't vote.

Myth: Reducing the budget deficit must be the top economic priority of the U.S.

Reality: Reducing the budget deficit is important, but it is not the only goal. It must be part of a larger strategy to build a strong economic future for the U.S.

There is no doubt that Congress must develop an effective plan to reduce the projected budget imbalances. If the national debt stays on its current path (extending tax cuts that are already in effect), there will come a point when the interest payments it incurs will consume the

entire federal budget. Current projections indicate that the debt will reach 100% of the country's total annual economic production - Gross Domestic Product by 2023. This is less than one generation. Congress must reduce the deficit in a way that will harm neither those who can least afford it nor the country's economic future. Americans are just beginning to recover from the worst recession in decades. The federal government's steps to make money available to maintain economic activity (such as production, spending, credit, jobs) kept the recession from becoming even worse.

As advocates, our job is to remind leaders that revenue is the other half of the budget story.

Perhaps even more urgently, during a recession the government needs additional money for safety-net programs such as SNAP (formerly food stamps). Some programs expand as more families need help buying groceries and other necessities in a weakened economy. More than 43 million Americans (1 in 8) currently participate in SNAP—an all-time high. Unemployment insurance is keeping many families afloat. Investing in these programs is not only the right thing to do but highly effective in stimulating the economy, since people who qualify for benefits promptly reinvest the money in goods and services in their local communities.

Aside from our concern about preventable human suffering, hunger and poverty cost the U.S. economically. When full-time, year-round workers do not earn enough to provide for their families, the country's productivity suffers. When millions of children don't have enough nutritious food to concentrate in school, the country's future becomes bleaker. Ample data shows that hunger and poverty increase the healthcare costs of both adults and children, today and tomorrow. It's not in our country's best interest to allow it's people to go without basic necessities.

...discretionary spending is simply too small an amount to either cause or reduce the deficit.

Myth: Cutting spending is the only way to reduce federal budget deficits.

Reality: Spending cuts are only half the story. Congress should also work to increase revenues.

Insufficient government revenue is one of the three main causes of the country's projected long-term deficit. As advocates, our job is to remind leaders that revenue is the other half of the budget story. For example, the 2001 and 2003 tax cuts are a major cause of the expected budget deficits of the next several years, adding literally trillions of dollars to the 2010-2019 deficits. In 2019, they will account for roughly three-fifths of the total budget deficit.

The Center for American Progress lists specific tax breaks that, combined, cost nearly as much as the low-income programs at risk in H.R. 1, for example the tax cuts on large estates (\$11.5B). The Center report added, "Most Americans would be surprised to learn that tax breaks are not on the table during any budget negotiations."

Myth: The most important time for advocates to contact their members of Congress about the budget is during appropriations discussions.

Reality: A prerequisite for annual appropriations that help end hunger is fair rules on how spending decisions are made.

Changes in how decisions about the budget are made are even more far-reaching than cuts to annual program budgets or changes in program eligibility criteria. Because such changes in the process can be made during meetings of congressional leadership or lower-profile committees such as rules committees, they may not be obvious. Bread staff keep track of these decisions so that grassroots activists have this information when they communicate with members of Congress. Bread is very concerned about a change in spending rules that the House made this January. Known as "cut-go," the rule replaces "paygo" or pay as you go, the rule that is still in use in the Senate. Paygo requires that a funding increase be paid for with increased revenue or lower spending on another line item. Under cut-go, however, a

funding increase may no longer be balanced by an increase in revenue, for example closing a tax loophole. Instead, all increases must be paid for with cuts somewhere else. However, cut-go does not apply to proposals that would reduce taxes—those do not have to be paid for, no matter how much they add to the deficit. The exception is refundable tax credits such as the Earned Income Tax Credit (EITC), which, although they are part of the tax code, are treated as spending and thus must be offset with cuts. So, let's break this down: if increased funds are budgeted to pay for Jane's \$50 calculator for algebra class, this must be balanced with a cut somewhere else—maybe Andrew's \$50 geometry textbook will have to go. But if the government takes in \$50 less because it offers a larger tax deduction to Mr. Smith across town, the drop in revenue does not have to be balanced with a tax increase for someone else. How will the \$50 that Mr. Smith is not paying in taxes be made up? Cut-go does not tell us.

The Center for American Progress explains how a House bill with such deep cuts came to be. House Appropriations Committee staff members were instructed to cut \$60 billion from the non-security discretionary budget. The day after the desired amount in cuts was set; the committee released a package of cuts to more than 500 programs. In the second half of FY2011, programs would suddenly be operating at levels 30% lower than in the first

half of the year.

The Center says, "This dramatic alteration in the level and quality of government service and activity was done without a single hearing, without any opportunity for experts in the various fields of activity affected to offer formal comment, and in fact without even a single meeting of the committee of jurisdiction."

This bill and other proposals for structural change focus on spending rather than revenue, which means they disproportionately affect the one-third of all Americans living in or near poverty.

Myth: Many government benefits are designed especially for low-income people. So it's only fair that they sacrifice along with everyone else.

Reality: The U.S. tax structure contains many benefits for upper-income and middle-income families that are not available to low-income people. Moreover, low-income people simply cannot afford to sacrifice any further because their sacrifices would be not of conveniences but of basic necessities.

They must consider the primary causes of the deficit and work with the budget as a whole rather than individual line items.

Government benefits are so pervasive that many people don't think of them as coming

from the federal government. For example, a recent poll reported by the Coalition on Human Needs found that more than half the people who take the home mortgage deduction and/or the child and dependent care tax credit don't believe they have ever used a government social program. Yet the U.S. government spends about \$1 trillion each year on tax deductions, credits, and other measures that lower its revenue, and upper-income people are more likely to qualify for most of these. Wealthier people are also more likely to have significant investment income, which is taxed at a lower rate than they would pay on income from work.

Income inequality in the U.S. has increased sharply over the past generation. Given that the U.S. has an economy where some people work full-time, year-round and still live well below the poverty line, we need strong safety-net programs—without gaps that leave significant numbers of people in poverty.

Myth: The U.S. already gives plenty of international assistance, so reducing it (even cutting programs in half) is not a big problem.

Reality: The U.S. spends less than 1% of its budget on development assistance to reduce hunger and poverty. Nearly 1 billion people are chronically malnourished. Many U.S. development programs literally save lives, so funding cuts risk lives.

For years, public opinion polls have shown that Americans believe the U.S. spends between 20% and 25% of its budget on foreign aid. Respondents generally suggest that the country should be spending about 10%. Polls also show consistent majority support for helping hungry people overseas even when resources are tight at home. Cuts to international hunger and poverty programs would affect the lives of real people, right away, at a time when the prices of basic grains—wheat, rice, maize—have again spiked, pushing millions more people into poverty. The House bill contains cuts to food aid programs of up to 50%. These programs supply food to refugees forced away from the land where they grow their crops by natural disaster or war. They also make our world safer by easing the desperation of people who have lost their homes and sometimes families. The cuts would eliminate food aid for about 15 million refugees. The programs also fund school lunches for children from some of the world's poorest families. The cuts would eliminate school lunch funding for up to 3 million children.

Budget Realities: It's important that Congress act on realities, not myths. The budget details might get complex, but we can all grasp key principles and share them:

- 1) Cuts to non-security discretionary spending, particularly low-income programs, cannot solve the deficit problem.

- 2) Reducing the budget deficit is important but must be part of a larger long-term strategy to build a strong U.S. economy.
- 3) Spending cuts are only half the story. Increasing revenue is the other half.
- 4) Thoughtful, fair rules on how spending decisions are made is a fundamental prerequisite for annual appropriations work.
- 5) Low-income people cannot afford to sacrifice any further. They would be sacrificing not conveniences but basic necessities.
- 6) Many U.S. humanitarian and nutrition programs literally save lives. Cuts to their funding risk lives.

Poor families spend up to 80% of their income on food, so the recent spike in food prices leaves them with no option but to cut the size and/or quality of their meals.

Some say our federal budget is a moral document. If so, we need to **educate** ourselves about the budget, we need to bring budget decisions to our **prayer** and we need to **act**.

A C T I O N

Dear Senators / Representative,
I agree that our government has to be more responsible in balancing the federal budget. However, I am dismayed that the current budget proposals in Congress focus on cutting vital programs for hungry and poor people.

Our budget is a moral document and tells what our priorities are as a nation. In the heated political discussions on the budget, I pray that you are mindful that hunger and poverty are not partisan issues.

In reducing the deficit and balancing the budget tax revenues and unnecessary military spending must also be considered.

Remember poverty can happen to anyone.

Sincerely,
Your name and address



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