

The Federal Budget Debate: What is at stake for Latinos?

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Latino Economic Priorities

Latino voters went to the polls in 2012 with three economic [priorities](#) in mind. They are:

- 1) Building a strong economy and creating jobs for all Americans.
- 2) Investing in high priority areas like education and health.
- 3) Ensuring that our children are not shortchanged of a promising future.

Where our tax dollars are invested will determine what kind of future we create for our country. The federal budget should reflect the highest priorities of our society.

NCLR Principles on the Federal Budget

Any federal [budget proposal](#) should:

- **Create jobs.** Austerity measures that add to the ranks of the unemployed are counterproductive.
- **Invest in our shared future** by strengthening public funding for education, health care, family tax credits and other programs that help children thrive.
- **Protect the most vulnerable** and working families.
- **Share responsibility fairly for any deficit reduction** including raising revenue from millionaires and corporations.
- **Foster economic mobility** by investing in the next generation. Tax code changes should be progressive and promote asset-building among working families.

SUMMARY OF JANUARY 1, 2013 FISCAL CLIFF DEAL

NCLR Analysis of Fiscal Cliff Deal

Pros of the Deal:

- Avoids the automatic income tax increases on working families and middle class Americans.
- Keeps country from entering another recession.
- Preserves the working family tax credits at current levels for 5 years.
- Unemployment benefits for the long-term unemployed are extended for 1 year.

NCLR Analysis of Fiscal Cliff Deal

Cons of the Deal:

- Payroll tax increase of 2% on all workers will slow economic growth and reduce job creation by 1 million jobs.
- Avoids automatic across-the-board cuts for only 2 months setting up a new “spending cliff” on March 1, 2013.
- Did not raise enough money to avoid further spending cuts.
- Did not raise the debt ceiling, which will be used as leverage to make further cuts to critical programs.

Risks in Future Negotiations

- Nation's focus is on debt reduction rather than on creating jobs, growing a strong, prosperous economy, and investing in the future. Long-term slow growth and continued high unemployment are likely outcomes of our current deficit reduction path.
- Low-income seniors, children, and other vulnerable people who depend on Social Security, Medicare, and Medicaid are at risk of experiencing cuts in upcoming deficit reduction deals.
- Programs critical to Latinos will remain at risk of cuts due to the next “spending cliff” on March 1, 2013 when the vast majority of federal domestic discretionary programs would be automatically cut by 5.3%.

**DIGGING DEEPER: SUMMARY OF
WORKING FAMILY TAX CREDITS
INCLUDED IN JANUARY 1, 2013
FISCAL CLIFF DEAL**

Going into Negotiations: Family Tax Credits Were at Stake

Tax Policy		If there were no budget deal on Jan. 1, 2013, this is what would have happened:	Senate: S. 3412 Middle Class Tax Cut Act. Passed Senate July 25, 2012. (Also White House position)	House: H.R. 8: Job Protection and Recession Prevention Act. Passed House August 1, 2012.
High Income Tax Policy:				
Income tax rate cuts for 98%		End	Keep	Keep
Income tax rate cuts for richest 2%		End	End	Keep
Estate Tax cut at low 2010 level		End	End	Keep
Working Family Tax Credits:				
BUSH- ERA	Child Tax Credit (CTC) maximum credit = \$1,000 (up from \$500)	End	Keep	Keep
	CTC refundable for low income families	End	Keep	Keep
	Minimum earnings to benefit from CTC = \$13,300. EITC marriage penalty fix.	End	n/a	Keep
2009 OBAMA	Minimum earnings to benefit from CTC = \$3,000	End	Keep	End
	Earned Income Tax Credit (EITC) marriage penalty fix	End	Keep	End
	Increased EITC credit for 3-child families	End	Keep	End

Outcome of Negotiations: Working Family Tax Credits are Preserved for 5 years

	Senate: S. 3412 Middle Class Tax Cut Act. Passed Senate July 25, 2012.	House: H.R. 8: Job Protection and Recession Prevention Act. Passed House August 1, 2012.	Final Bill: H.R. 8: American Taxpayer Relief Act of 2012 Passed House Jan. 1, 2012, Signed by President.	
Tax Policy				
High Income Tax Policy:				
Income tax rate cuts for 98%	Keep	Keep	Keep	
Income tax rate cuts for richest 2%	End	Keep	Ended for richest 1%	
Estate Tax cut at low 2010 level (35% tax rate + \$5 m. exempt)	End	Keep	Partially ended. 40% tax rate	
Working Family Tax Credits:				
BUSH-ERA	Child Tax Credit (CTC) maximum credit = \$1,000 (up from \$500)	Keep	Keep	Keep
	CTC refundable for low income families	Keep	Keep	Keep
	Minimum earnings to benefit from CTC = \$13,300. EITC marriage pen. fix	n/a	Keep	Keep
2009 OBAMA	Minimum earnings to benefit from CTC = \$3,000	Keep	End	Keep for 5 ys
	EITC marriage penalty fix	Keep	End	Keep for 5 ys
	Increased EITC credit for 3-child families	Keep	End	Keep for 5 ys

Preserving the Working Family Tax Credits is a Win for Latinos

Latino children benefit greatly from family tax credits designed to help low income working families stay out of poverty.

- Over one-third of Latino families are eligible, based on income, for the Earned Income Tax Credit (EITC) or the Child Tax Credit (CTC).
- CTC is particularly important for immigrant families.
- These credits are designed to give a boost to low wage workers who support minor children. Latino families are more likely than other Americans to meet these requirements.
- The CTC and the EITC keep almost 5 million children out of poverty.
- On average, low income working families contribute 17% of their income to federal and state taxes.

The 2009 improvements are very important to Latino families.

- Over 6 million Latino children are helped by CTC 2009 improvements; over 5 million Latino children are helped by EITC 2009 expansions.
- EITC 3rd-child benefit disproportionately helps Latino families.

Working Family Tax Credits Details

Fiscal cliff deal made permanent the Bush-era expansions to the family tax credits and extended for 5 years the Obama-era expansions.

- Bush-era expansions to the tax credits made permanent.
 - Instead of a \$500 nonrefundable Child Tax Credit (CTC), this credit is now \$1,000 and refundable for low income families. 21 million children nationwide continue to receive \$28 billion from the refundable CTC. Middle class families will continue to benefit from the nonrefundable CTC at \$1,000 per child.
- 2009 expansions to the refundable CTC and Earned Income Tax Credit (EITC) continue. The 2009 improvements keep 1.6 million people out of poverty annually and help 26 million children.
 - A minimum wage parent earning \$14,500 per year and supporting two children will continue to get \$1,725 in tax credits.
 - A married couple with three children with earnings equal to the poverty line (\$27,713) will continue to receive \$1,934 in combined EITC and CTC benefits.

**HOW LATINO FAMILIES
WOULD BE AFFECTED BY
POTENTIAL AUTOMATIC CUTS
ON MARCH 1, 2013**

Summary: How the “Spending Cliff” will Affect Hispanics

Programs important to Latinos are subject to automatic cuts on March 1, 2013.

- Over one-third of all Head Start pre-school children are Latino
- 37% of Latino school kids attend high-poverty Title I funding schools.
- 20% of young children who receive child care subsidies are Latino
- 30% of all youth enrolled in federal job training programs are Latino
- 15% of people getting federal rental subsidies are Latino

Entitlements are being used as bargaining chips and are also at risk of cuts.

- 53% of Latino seniors rely on Social Security for almost all of their income
- Half of Latino children and one-quarter of Latino adults are insured by Medicaid

Originally, non-defense discretionary (NDD) programs were to be cut by 8.2% starting Jan. 1, 2013. With the Fiscal Cliff deal, NDD programs are subject to a 5.1% automatic cut starting March 1, 2013.

Latinos and Federal Healthcare Programs

Health care is the “bargaining chip” in budget deals and is at serious risk.

Medicaid is a critical program for Latinos, especially children.

- One in four Latinos overall and one in two Latino children get health coverage through Medicaid.

Medicare is also a vital program for vulnerable Latinos.

- 3.5 million Latino seniors, disabled adults, and seriously ill children have health coverage through Medicare.
- One in four Latinos on Medicare are also on Medicaid (dual-eligibles) and are very vulnerable to cuts to either program.

Latinos have most to gain from the Affordable Care Act (ACA).

- Latinos are the most uninsured racial or ethnic group in America—30.1% lack health insurance—and have the most to gain from the ACA. Six million Latinos gain pathways to health insurance and insured Latinos gain a multitude of quality protections.
- The ACA continues to be threatened with cuts or elimination.

Latinos and Federal Education Programs

Nearly one in four of children in school are Latino and Latino kids are one of the fast growing groups of children.

The federal budget provides extra education funding for low income children via Title I funds to support instruction in reading and math.

- 37% of Latino children attend a high poverty school.
- Automatic cuts will result in 1.2 million* fewer low-income public school children would receive reading and math help.

Pre-K Education programs like Head Start are critical for Latino young children's development.

- Over a third of the children enrolled in Head Start are Latino.
- Automatic cuts would mean that 22,000 Latino kids would lose their spot in Head Start.

Child Care Development Block Grants support high quality child care

- 20% of children receiving a child care subsidy are Latino.
- Automatic cuts means 10,500 fewer Latino children served nationwide.

Latinos and Federal Housing Programs

The HUD Housing Counseling Program helps many Latino families avoid predatory lenders and halt losses in Latino household wealth.

- 10,200 households would not receive housing counseling services.
- Decreased funding for housing counseling would lead to a greater erosion of Latino home equity and hamper economic recovery by jeopardizing Latino families' access to reliable home mortgage loans.

HUD Tenant-Based Rental Assistance helps vulnerable families keep a roof over their heads and pay for basic living expenses.

- Latinos comprise 15% of all households receiving HUD rental assistance—over 280,000 families.
- Automatic cut to HUD's rental assistance program is over \$1 billion.
- In 2013, 121,000 households would lose rental assistance including 18,000 Latino households.

Latinos and Federal Housing Programs

Low-Income Housing Tax Credits help stimulate the construction of housing affordable to low income families.

- Eliminating or decreasing this tax credit will affect affordable housing construction, reducing Latino renters' ability to secure affordable housing. By paying more for rent, a family budget becomes unbalanced, affecting their ability to cover other basic necessities.
- Housing credit rates have effectively declined, further reduction or elimination would cause the supply of affordable rental housing to decline.

Latinos and Federal Workforce Programs

Our economy depends on a skilled Latino workforce that is prepared to compete in the 21st century labor market.

- By 2018, only 10% of the jobs in the U.S. economy will be open to workers with less than a high school degree. Yet today, one-third of Latino workers are at this level of education.
- About 20% of Latino youth ages 16-24 years old are unemployed.
- Another 28% permanently drop out of high school and require alternative routes to education.

Latinos and Federal Workforce Programs

Cuts to job training programs would widen the skills gap between Latinos and other adults.

- The Workforce Investment Act (WIA) provides grants to states to educate and train adults, young people who are no longer in school, and workers transitioning out of dying industries.
- WIA state grants serve:
 - 153,917 Latino adults – or 12.6% of all program participants
 - 38,351 Latino youth – or 30.3% of all program participants
 - 93,721 Latino dislocated workers – 13.5% of all program participant
- If funding cuts occur, 270,000 fewer adults, dislocated workers, and youth will receive job training and employment services.

Latinos and Social Security

Latinos depend on Social Security more than any other race or ethnic group.

- Only one-third of Latino workers have retirement benefits at their job.
- More than half of Latino seniors depend on Social Security for at least 90% of their income, more than any other race or ethnic group.
- Social Security plays a critical anti-poverty role by keeping 1 million Latino seniors, disabled adults, and children out of poverty.
- Social Security payments also help stimulate local economies.

Social Security benefits are not subject to automatic “sequestration” cuts; however, Social Security will continue being used as a bargaining chip in deficit negotiations, even though the program contributes nothing to the current budget deficit.

- The uncompleted 2012 Grand Bargain included a cut to Social Security, which would have reduced the Cost of Living Adjustment by .3% per year affecting all beneficiaries. This would mean a 6% cut over 20 years.

**BACKGROUND ON DEBT CEILING
AND “SPENDING CLIFF”
AUTOMATIC CUTS ON
MARCH 1, 2013**

Debt Ceiling Role in Negotiations

Fiscal Cliff deal on January 1, 2013 did not include increasing the debt ceiling. The House of Representatives voted to raise the debt ceiling in January 2013 for three months. Thus, the debt ceiling will need to be raised again on May 18, 2013.

May 18, 2013: Debt Ceiling must be increased

- Debt ceiling is the maximum that the federal government can borrow to pay for programs and policies already approved by Congress. The debt ceiling must be approved by Congress separately from their approval of budget policies.
- The House GOP has vowed to require \$1 dollar in spending cuts for every dollar that the debt ceiling is raised. This could mean \$1 trillion in additional cuts.
- Not raising the debt ceiling could trigger another economic crisis.
- President says he will not negotiate on the debt ceiling.

Spending Cliff on March 1, 2013

Fiscal Cliff deal on January 1, 2013 delayed automatic spending cuts by two months.

March 1, 2013: Automatic spending cuts scheduled to start

- Automatic cuts of \$85.3 billion/year, 50% to military and 50% to non-defense discretionary (NDD) programs.
 - NDD programs include education and job training; housing and social services; transportation and other infrastructure; medical and scientific research; public safety and law enforcement; public health; weather monitoring and environmental protection; natural and cultural resources. These programs amount to 15% of the federal budget and are determined annually at Congress' discretion.
- Some low income programs exempt from cuts
- Entitlement programs (Social Security, Medicare and Medicaid) are also exempt from automatic cuts.

Spending Cliff:

How Did This Come About?

Sequestration/Automatic cuts:

- Fight to raise the budget ceiling in August 2011 resulted in the Budget Control Act of 2011 (BCA)
- BCA cut \$1 trillion in discretionary spending over next 10 years and required \$1.2 trillion more in deficit reduction. The fiscal cliff agreement on January 1, 2013 reduces the deficit by only \$600 billion.
- If Congress did not agree on \$1.2 trillion in deficit reduction, then \$1.2 trillion in automatic “sequestration” cuts would kick in on Jan. 2, 2013. This was delayed to March 1, 2013 and the total amount of cuts was reduced.
 - Non-defense discretionary programs to be automatically cut by 5.1%. This is down from 8.2% originally.
 - Medicare is cut by 2% (\$12 billion). Medicare cut does not affect services.

Automatic Cuts To Hit Some Critical Programs for Latinos

Low-income programs exempt from automatic cuts:

- SNAP/Food Stamps
- SSI (Supplemental Security Income)
- Pell Grants
- Social Security benefits
- Medicaid/CHIP*

Key programs subject to 5.3% automatic cuts on 3/1/13:

- Education Title 1
- Head Start
- Child Dev. Block Grant
- WIC
- Health Clinics (cut 2%+)
- Rental Assistance
- Housing Counseling
- Training and Employment services

*Centers for Medicaid and Medicare Services cut by 2%, but not services.

GRAND BARGAINS AND OTHER DEALMAKING

What is a Grand Bargain?

Grand Bargain: A bigger deficit reduction package of \$4 trillion or another amount.

- Would replace the sequestration cuts of \$1.2 trillion over 10 years .

Grand Bargain elements would include:

- Higher tax revenues.
- Cuts to entitlement programs like Medicare, Medicaid, Social Security.
- Cuts to safety-net entitlements like SNAP/Food Stamps and other federal programs including defense and nondefense discretionary programs.

The President has tried to get a Grand Bargain twice with House Speaker Boehner and failed both times (2011 and 2012).

Sticking Points on Grand Bargain

Many areas of disagreement between political parties in budget negotiations:

1. Whether to raise additional revenue and how

- Raising revenue by raising taxes on individuals or corporations
- Enacting tax reform: cutting tax rates and reducing deductions
- Raising revenue only due to economic growth from cutting taxes

2. Who should pay

- Cutting entitlements in a way that reduces services to seniors and shifts the risk of medical inflation on to seniors
- Protecting the military from any discretionary cuts and as a result doubling the level of cuts on non-defense discretionary programs
- Counting savings from ending the wars toward the deficit reduction goals
- Protecting the poor from experiencing any cuts to programs

3. Ratio of cuts to revenue

- Ratio of spending cuts to revenue increases. E.g. 1:1 or 2:1 or more

The Math on a Grand Bargain

Grand Bargain Deficit Reduction Goal: \$4 trillion/10 years.

Discretionary spending cuts enacted in
2011 via Budget Control Act \$1 trillion*

Deficit Reduction still needed for goal \$3 trillion

Deficit Reduction Options:

End Bush tax cuts for richest 1% Raised \$600 billion on
1/1/13

Savings from ending wars \$800 billion

Amount still needed to meet goal \$1.6 trillion

(* \$500 billion also cut from discretionary spending
in 2010 budget)

Deadlines for Congress to Act: Opportunities to Influence Debate

- March, 1, 2013
 - Automatic spending cuts (sequestration) begin
- March 17, 2013
 - Congress must pass appropriations bill for 2013
- May 18, 2013
 - Congress will need to raise the debt ceiling again. (The House of Representatives voted on January 23, 2013 to extend the debt ceiling for only 3 months until May 18, 2013.)

NCLR Activities to Educate Latinos and Influence the Debate

NCLR has embarked on a national campaign to educate and inform the Latino community and to influence outcomes

- Conducting Policy Analysis:
 - Analyzing how budget proposals would affect Latinos, focusing on key issue areas, analyzing polls, providing state-level data
- Educating and Engaging Latino community:
 - Hosting national briefings and webinars, informing Spanish- and English-language media, alerting NCLR Action Network, writing blogs and opinion pieces, engaging Latinos via social media
- Influencing Capitol Hill and White House:
 - Capitol hill briefings, participating in coalitions, engaging Affiliates to meet with their Congressional representatives in key states in the field and in DC via [NCLR National Latino Advocacy Days](#), March 6-7, 2013

For more information

- Join NCLR Action Network at:
 - action.nclr.org
 - Or text BUDGET to 62571
 - You will receive information on how to make your voice heard in this important debate
- Get NCLR policy documents and talking points at:
www.nclr.org/federalbudget
- Read NCLR budget blogs here: nclrblog.wordpress.com