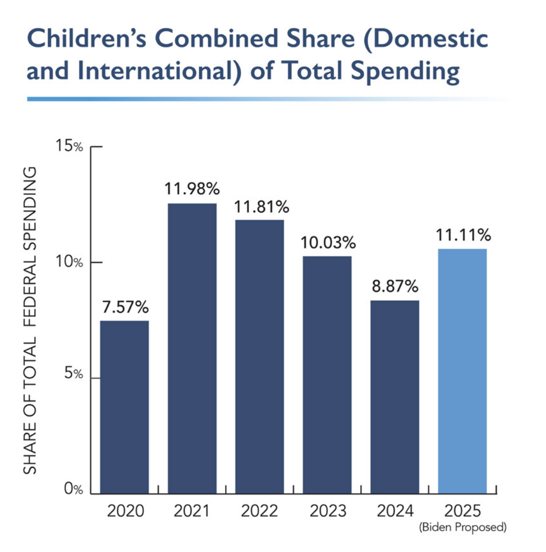
ISSUE BRIEF:
WHAT PROPOSED FEDERAL BUDGET CUTS AND POLICY CHANGES WILL COST CHILDREN

FIRST FOCUS ON CHILDREN

Budgets are moral documents, reflecting our priorities as a nation. When we decide where to allocate resources, we reveal what — and who — we truly value. Yet, the proposed federal budget cuts advancing through the House tell a disheartening story: our children, the most vulnerable and voiceless among us, are being left behind and targeted for cuts.

Children don't vote. They don't have political action committees or lobbying power. They rely on adults to make decisions that safeguard their well-being and invest in their futures. Instead, Congress is targeting cuts and policy changes that limit access to health care, nutrition programs, and basic financial stability for millions of children. Cuts to Medicaid, Temporary Assistance for Needy Families (TANF), the Supplemental Nutrition Assistance Program (SNAP), and other services that help keep children healthy and fed, and reduce child poverty are not just abstract accounting decisions — they're acts of harm against the children and families who rely on these programs to survive.

Let's be clear: children's needs are already woefully underfunded. Despite making up roughly 23% of the U.S. population, children received **just 8.87% of the federal budget in Fiscal Year (FY) 2024**. This sum marks a significant decrease from the nearly 12% share we invested in children in FY 2021.



Systematic divestment has alarming and real world consequences. **Child poverty more than doubled from 5.2% in 2021 to 13.7% in 2023** with the expiration of many critically important provisions included in the American Rescue Plan Act, such as an improved and expanded Child Tax Credit. Furthermore, **nearly 5 million children have lost Medicaid coverage under the unwinding of pandemic protections**, and the U.S. **infant mortality rate increased for the first time in 20 years**.

These trends are alarming for children and their future, and proposed federal budget cuts would accelerate them. The proposed Medicaid cuts would undoubtedly strip coverage, benefits, services, and access to care from low-income children, who are more susceptible to preventable illnesses and untreated chronic conditions. Reductions to TANF threaten the ability of struggling families to afford rent or child care. And SNAP cuts will exacerbate food insecurity, leaving children hungry in classrooms where they're supposed to be learning.

We know better. **Research shows that investments in children yield immense returns**, not just for their individual well-being but for the nation as a whole. Children who grow up healthy, well-fed, and financially secure are more likely to stay in school, enter the workforce, and contribute meaningfully to society. Yet, Congress is taking a shortsighted approach, trading the future of millions of kids for fleeting fiscal savings.

This is not fiscal responsibility — it's a failure of responsibility. When we undermine the foundation of childhood, we weaken the entire structure of our society. As we've said before: "It's always cheaper to help children now than to clean up the damage later."

This analysis will dissect these harmful proposals, explain how they disproportionately harm children, and make the case for a budget that values our youngest citizens. If we truly care about our nation's future, we must stand against these cuts and demand a budget that prioritizes the health, safety, and potential of every child.

Medicaid Cuts and Their Impact on Children

Medicaid serves as a critical lifeline for millions of children providing essential health care services that support their growth and development. About half of children in the United States are covered by Medicaid or CHIP. However, recent policy proposals threaten to undermine this foundation, disproportionately affecting the most vulnerable members of our society.

Proposed Medicaid Cuts

The House Budget Committee has outlined options to reduce federal spending by up to $5.7 trillion over the next decade, with a large share of those cuts focused on Medicaid. **According to KFF**, the initially proposed level of cuts would represent nearly one-third of all Medicaid spending over 10 years.Such significant cuts would necessitate substantial changes to Medicaid's structure and eligibility, including the introduction of arbitrary per capita caps or other limits on Medicaid funding, which have been shown to disproportionately harm children.

- **Per Capita Caps**: Per capita caps would fundamentally restructure the federal-state Medicaid partnership, allocating a set amount of federal funding for each Medicaid enrollee, regardless of the actual costs of the program.

  By capping federal Medicaid funding and tying its growth to an amount that fails to keep up with healthcare cost inflation, per capita caps would shift unmanageable financing burdens to the states. This would leave states vulnerable to unexpected expenses for healthcare from events such as public health emergencies and natural disasters.

  Per capita caps ultimately would force states to cut their budgets and ration care to Medicaid enrollees, especially children. This would likely result in a reduction to services and coverage, especially for children with special and complex healthcare needs. It would also lead states to cut healthcare provider rates, increasing provider shortages and potentially causing hospitals to close down with rural areas being hit the hardest.

- **Reducing FMAP Floor:** This change would shift substantial costs to states including Colorado, New Jersey, Wyoming, and others that depend on the minimum FMAP rate of 50%. This shift in costs would lead to harsh cuts to Medicaid services and benefits for children and reimbursement to health care providers, such as pediatricians.
- **D.C.-Specific FMAP:** The District of Columbia's FMAP is set at 70% due to high Medicaid needs among residents with low incomes. Reducing the District's FMAP to 50% or lower would hurt the health of D.C.'s children, forcing the District to make significant cuts to eligibility, benefits, and provider payments.
- **Imposing Work Requirements:** Imposing work requirements as a condition of receiving Medicaid harms children, pregnant women and families and creates substantial losses in health coverage and access to care. Past implementation of work requirements has demonstrated that confusing rules, complex reporting systems and other bureaucratic red tape cause children and families to lose their health coverage. For example, in Arkansas, 18,000 Medicaid enrollees lost their coverage within the first seven months of the state implementing work requirements before a court order halted the program.

  When parents lose benefits, evidence shows that children do too, making policies such as these harmful to children's health and development. Moreover, the ramifications of losing coverage extend beyond health care to negatively impact financial security, employment, housing, and many other life factors for children and families.
- **Reducing State Flexibility for Funding Medicaid:** States rely on provider taxes as a critical mechanism to help finance their Medicaid programs. Losing this revenue would mean that states would be forced to reduce funding for services including pediatric services, leading to shortages in child-specific care such as neonatal care, pediatric intensive care units, and early intervention services for developmental delays.

The proposed Medicaid cuts pose significant risks to children's health and well-being. As a society, we must recognize that decisions made in the name of fiscal responsibility should not come at the expense of our children's future. Protecting and strengthening Medicaid is not only a moral imperative but also a sound investment in the nation's long-term prosperity.

Health Insurance Marketplace Cuts and Their Impact on Children:

Over 2 million children are covered by health plans in the Health Insurance Marketplace. These children come from families who make too much to qualify for Medicaid or CHIP but who otherwise could not afford employer-sponsored coverage. Reinstating the "Family Glitch" and/or letting the enhanced level of Advanced Premium Tax Credits (APTCs) under the American Rescue Plan expire would result in hundreds of thousands of children losing their health care coverage and remaining uninsured. An estimate by the Urban Institute shows that the expiration of the enhanced APTCs alone would result in 287,000 uninsured children. With gaps in their coverage, these children would suffer severe consequences, including reduced access to necessary medical care, missed preventive services, and delayed developmental screenings, which can lead to poorer health outcomes in both the short and long term. Additionally, the loss of coverage exposes their families to high medical costs and potentially catastrophic medical debt.

TANF Cuts and Their Impact on Children

The TANF program is a federal block grant designed to provide financial assistance and support services to low-income families with children. Established in 1996, TANF aims to promote self-sufficiency through work requirements and time-limited assistance. However, recent policy proposals and longstanding funding issues threaten to undermine the program's effectiveness, disproportionately affecting **children, who constitute nearly 70% of TANF recipients**.

Stagnant Funding and Inflation Erosion

Since its inception, the TANF block grant has been set at $16.5 billion annually, with no adjustments for inflation or population growth. As a result, the **real value of TANF funding has declined by 49% from 1997 to 2024**, significantly reducing its purchasing power and the ability of states to assist needy families.

Proposed Budget Cuts and Policy Changes

Recent budget proposals, such as those outlined in Project 2025, suggest further reductions to TANF funding and expansions of work requirements. These changes could exacerbate existing challenges within the program:

- **Reduced Funding:** Cuts to TANF would limit states' capacity to provide cash assistance and essential services, potentially increasing child poverty and family instability. Eliminating the Contingency Fund, which is designed to respond during times of economic downturn, would hurt families when they are in most need of support.
- **Expanded Work Requirements: Nearly 30 years of evidence** show that TANF's work requirements have failed to improve employment outcomes for program participants. Instead of promoting family economic mobility, TANF's work requirements lead to decreased participation in the program, depriving children of critical assistance.

Impact on Children

Children are the most vulnerable to the adverse effects of TANF funding reductions and policy changes:

- **Increased Poverty:** With diminished financial support, more families may fall below the poverty line, leading to long-term negative outcomes for children, including poorer health and educational attainment.

- **Limited Access to Services:** States may be forced to cut back on supportive services such as child care and job training, which are crucial for parents striving to achieve self-sufficiency while providing a stable environment for their children.

The erosion of TANF's funding and the potential for further cuts pose significant risks to the well-being of millions of children in low-income families. To uphold this nation's commitment to supporting vulnerable populations, it is imperative to reassess and strengthen TANF's structure and funding, ensuring it effectively serves the families and children who depend on it.

Cuts to Child Nutrition and Their Impact on Children

The Supplemental Nutrition Assistance Program (SNAP) is the nation's largest anti-hunger program, providing vital food assistance to low-income families. In 2022 alone, over 15 million children benefited from SNAP, representing nearly half of all recipients. By alleviating food insecurity, SNAP lays the groundwork for better health, education, and long-term outcomes for children. However, recent proposals to cut SNAP funding and impose stricter eligibility requirements threaten to undermine these essential benefits, disproportionately harming children in the process.

How SNAP Benefits Children

SNAP's effectiveness in improving outcomes for children is well-documented:

Health:

- Studies show that children in households receiving SNAP are healthier and less likely to be hospitalized due to malnutrition or preventable illnesses.
- SNAP benefits during pregnancy are associated with reduced rates of low birth weight and infant mortality.

Education:

- Food security provided by SNAP ensures that children can focus on learning rather than hunger. Research shows that SNAP participation leads to better academic performance and fewer behavioral problems in school.

Long-Term Benefits:

- Children who grow up in SNAP households are more likely to achieve higher earnings as adults and less likely to rely on public assistance programs in the future, creating a ripple effect of societal benefits.

Potential Impact of SNAP Cuts on Children

Proposed cuts and eligibility restrictions could unravel these gains, resulting in:

Increased Food Insecurity:

- SNAP kept over 3.7 million children out of poverty in 2021 alone. Reductions in benefits would likely reverse this progress, leaving more children hungry.

Worse Health Outcomes:

- Malnutrition during critical developmental years can lead to long-term health issues, such as stunted growth, obesity, and chronic diseases like diabetes.

Educational Setbacks:

- Hunger directly affects children's ability to concentrate, learn, and succeed in school, jeopardizing their future opportunities.

SNAP is a cornerstone of America's commitment to reducing child hunger and poverty, with decades of evidence supporting its effectiveness. Weakening SNAP benefits would disproportionately harm children, pushing many into deeper hardship and undermining their ability to succeed. Policymakers must recognize that an investment in SNAP is an investment in the nation's future. Cutting this lifeline is not only unjust but also economically short-sighted.

New Barriers to School Meals

School meal programs, including the National School Lunch Program (NSLP) and the School Breakfast Program (SBP), provide millions of low-income children with nutritious meals, ensuring they have the energy and focus needed to succeed in school.

Proposed Changes:

1. **Income Verification Requirements**: A new proposal would require additional proof of income for families applying for free or reduced-price meals, creating administrative hurdles that could deter eligible families from applying.

2. **Stricter Community Eligibility Provision (CEP) Standards:** Raising the threshold for schools to qualify for universal free meals from 40% to 60% of students in poverty would make it harder for schools in low-income areas to provide free meals to all students.

Impact on Children:

- Increased paperwork and verification processes could lead to eligible children missing out on crucial nutrition.

- Many schools serving low-income communities would lose their ability to offer free meals to all students, resulting in fewer children receiving healthy meals during the school day.

- Hunger affects academic performance, increasing absenteeism and lowering test scores among food-insecure students.

Placing additional barriers to school meal programs would deepen child hunger and widen educational disparities for low-income children.

Additional Cuts That Threaten Children's Well-Being

While proposed cuts to Medicaid, TANF, and SNAP present immediate threats to children's health and economic stability, additional budget proposals targeting key safety-net programs would further erode the support systems that millions of children rely on. These proposed cuts would exacerbate the already shrinking share of federal investment in children, leaving families with fewer resources to provide for their basic needs and jeopardizing children's long-term well-being.

Eliminating the Social Services Block Grant (SSBG)

The Social Services Block Grant (SSBG) provides states with flexible funding to support programs that protect and promote the well-being of vulnerable populations, particularly children in low-income families. States use SSBG funds for critical services such as:

- Child welfare programs, including foster care and child protective services.
- Child care assistance to help working parents stay employed.
- Services for children with disabilities and those at risk of neglect or abuse.

Proposed Cut: The House proposes eliminating the SSBG, citing concerns over inefficiency and duplication with other federal programs.

Impact on Children:

- Without SSBG funding, states would be forced to cut or scale back vital child welfare services, increasing the risk of abuse, neglect, and homelessness for vulnerable children.
- Child care support, a key factor in enabling parents to work and provide stable homes, would be significantly reduced, forcing many low-income parents to choose between work and caregiving.
- Children in foster care or at risk of placement could see fewer resources available to support their transition to stable, permanent homes.

Tightening SSI eligibility requirements would make it harder for families to care for children with disabilities, potentially pushing them further into poverty and deepening existing health and economic disparities.

Push for Private School Vouchers:

In addition to the items posted in the proposed federal budget cuts, First Focus on Children remains concerned by the possibility of a private school voucher program being pushed through reconciliation. We have concerns that a tax-credit incentive for donations to private schools could be included in a reconciliation package. First Focus on Children opposes private school voucher programs and believes the inclusion of this measure in a reconciliation package would harm the 90% of students who attend public schools.

- Voucher programs often do not provide non-discrimination protections, meaning that students could be discriminated against in the schools they attend for reasons including disability status or sexual orientation.
- Voucher programs often lack accountability measures, and private school voucher programs have previously paid for expenses such as espresso machines and Disney tickets, while stripping funds from public schools.
- School voucher programs are particularly harmful to low-income and rural schools, hurting some of the students who need education support the most.

Tax Policy Changes that Harm Children to Pay for Benefits for Billionaires

The tax code offers one of the strongest tools for improving the lives of children. Tax reforms that ensure everybody pays their fair share, would raise revenue to invest in children's health, safety and well-being. In addition to raising the necessary revenue to fund critical children's programs, tax policy also offers direct support to children and families. In 2023, the refundable portion of the Child Tax Credit prevented 1.34 million children from experiencing poverty and **households receiving the CTC payments saw food insecurity rates drop by over 6 percentage points from December 2020 to December 2021**.

Proposed Adverse Changes by House Leaders:

1. Limit the availability of the CTC to households in which both the children and the tax filer have Social Security numbers
2. Eliminate the *Head of Household* filing status
3. Eliminate the American Opportunity Tax Credit
4. Eliminate the Child and Dependent Care Tax Credit
5. Repeal the Inflation Reduction Act's IRS funding

Impact on Children:

- Prior to the passage of the 2017 tax law, households filing for the CTC needed to have an Individual Taxpayer Identification Number (ITIN) to be eligible for the credit. The passage of the 2017 law changed the requirements through 2025 and only children with a Social Security number now qualify for the CTC. Limiting availability of the CTC to households in which both parents and children have social security numbers would deny millions of children the credit. **As of 2018, 4.4 million U.S. citizen children under age 18 lived with at least one undocumented parent** and would no longer be eligible for the CTC.

- Eliminating the Head of Household filing status would impact millions of tax payers, many of them single parents. **In 2021 over 21 million filers used the Head of Household filing status**. Created in 1951, the head of household filing status offers preferential tax benefits for unmarried adults with dependents. This filing status recognized the high and rising costs of raising children and/or supporting other qualifying family members by offering a larger standard deduction and wider tax brackets compared to single or married individuals filing separately, but less than the deduction for married couples filing jointly. **According to the National Women's Law Center**, government data shows that the majority of single parents who use this filing status are women. Millions of single mothers and their children would face a reduction in household income with this tax increase if the head of household status is eliminated, including middle-income single parents and their children.
- The American Opportunity Tax Credit is a partially refundable tax credit that provides financial assistance to taxpayers (or their children) for students enrolled in post-secondary education programs. **According to the Congressional Research Service**, the credit primarily benefits low- and middle-income families: 46.6% of AOTC benefits go to families with incomes between $30,000 and $100,000 with the refundable portion of the credit benefitting lower income earners with little or no tax liability. For example, in 2015, more than half (55.3%) of the refundable portion of the credit was claimed by taxpayers with less than $20,000 in income.
- Eliminating the Child and Dependent Care Credit would harm children whose parents rely on the targeted credit to support the high cost of child care. **For far too many families the cost of child care is prohibitive. According to the U.S. Department of Labor (DOL)**, U.S. families spend between 8.9% and 16.0% of their median income on full-day care for just one child and that figure varies widely depending on the age of the child, population size of the county, and type of care provided. Even with the high cost of child care, DOL estimates nearly 14 million parents rely on paid caregivers. The U.S. economy loses **$122 billion per year** in lost revenue, earnings, and productivity due to child care challenges faced by families. Eliminating this credit for families will harm their economic well-being and the U.S. economy by exacerbating the current child care crisis.
- **Slashing funding for the IRS would result in delayed refunds, slower service for taxpayers and businesses, and would increase the deficit.** With additional resources granted under the Inflation Reduction Act, the IRS has taken action to improve customer service, ensure the wealthiest and corporations pay what they owe in taxes, and reduce the deficit. Over the last two years, the IRS collected more than $1.1 billion from 1,600 millionaires

who had not paid tax debts and launched more digital tools than it had in the 20 years prior. One such tool is Direct File, which allows certain taxpayers to file for free online directly with the IRS. According to the IRS, there were 140,000 users of the pilot program and more than $90 million was claimed in refunds and an estimated $5.6 million in savings on tax preparation fees.

Taking Assistance from Immigrant Families

Proposed Changes:

Reinstating the Public Charge policy first proposed by the Trump Administration in 2018, which makes changes to long-standing, bipartisan immigration policy known as "public charge." The changes would allow government officials to consider the use of an applicant's broad range of services such as health care, nutrition assistance, and housing assistance when determining eligibility for green cards or lawful admission to the U.S.

Impact on Children:

No family should fear seeking health care, food, child care, housing, or other support their child needs. Although the vast majority of children with an immigrant parent are U.S. citizens and are not subject to restricted access to benefits, their access to health care, housing, nutrition, and income support is affected if one or both parents are ineligible for benefits or if families have concerns about how applying for benefits could impact their legal status. Government policies must not impose unnecessary barriers or create fear in children and families seeking access to public benefits that support children's well-being.

Why These Cuts Are Shortsighted

The proposed budget cuts targeting critical safety-net programs for children are not just cruel — they are shortsighted and economically self-defeating. Children represent our nation's future workforce, innovators, and leaders, yet they remain one of the most underfunded and overlooked groups in federal spending. Despite mountains of evidence showing that investing in children yields substantial long-term economic and social benefits, lawmakers continue to prioritize short-term fiscal austerity over the well-being of future generations.

This approach is not only morally indefensible, it also ignores the overwhelming body of research proving that failing to invest in children today will result in higher costs to society tomorrow — increased health care expenses, higher rates of incarceration, and lost economic productivity.

In other words, when we fail our children, we ultimately fail our nation.

Economic Returns on Investments in Children

The data is clear: investments in children's health, nutrition, and early education generate long-term economic benefits that far outweigh the upfront costs. Consider the following:

- **Medicaid:** Children who receive Medicaid are healthier as adults, have higher educational attainment, and earn more over their lifetimes, ultimately contributing more in taxes. An **analysis** by Nathaniel Hendren and Ben Sprung-Keyser found that for each dollar spent on children's health coverage, the government receives a $1.78 return.

- **SNAP:** Providing children with adequate nutrition through programs such as SNAP reduces long-term health care costs by preventing diet-related illnesses such as diabetes and heart disease. SNAP participation in childhood is linked to **fewer days of missed school, improved overall health, higher high school graduation rates, and improved earnings as adults**.

- **Early Childhood Education:** Programs such as Head Start have been shown to improve cognitive skills, increase high school graduation rates, and reduce future dependence on public assistance. Research indicates that **every $1 invested in high-quality early education yields a return of $4 to $16 through improved life outcomes**.

Cutting these programs risks reversing decades of progress and forfeiting the immense economic potential of future generations.

The Long-Term Cost of Child Poverty

Child poverty is not just a policy decision — it is an economic liability. When children grow up in poverty, they are more likely to experience poor health, struggle in school, and require government assistance as adults. The costs associated with child poverty in the United States are staggering, estimated at up to $1.1 trillion annually in lost productivity, increased health care spending, and higher crime rates, **according to the National Academy of Sciences, Engineering, and Medicine (NASEM)**.

Instead of addressing child poverty, the proposed budget cuts will:

- **Increase reliance on emergency services**, such as emergency room visits for preventable conditions due to loss of Medicaid coverage.

- **Lead to higher rates of homelessness and hunger**, pushing more families into deep poverty and forcing children to grow up in unstable environments.

- **Worsen educational disparities**, as hungry, unhealthy children struggle to succeed in school and eventually in the workforce.

Investing in children today prevents these long-term costs and helps break the cycle of poverty that burdens families, communities and the nation as a whole.

Shortchanging Children Is Shortsighted

A budget that sacrifices children's well-being to maintain tax cuts and entitlement spending for wealthier populations is a profoundly shortsighted and unjust trade-off.

The evidence is overwhelming: cutting investments in children is a costly mistake. Policymakers should recognize the return on investment these programs provide and prioritize children in the federal budget.

It's time to reframe our thinking. Children are not just another line item in the budget — they are our most valuable asset. If we are serious about securing our nation's future, we must invest in it today by ensuring every child has the opportunity to thrive, contribute, and succeed.

A budget that values children is a budget that values the future. Congress must put children first.

Children Deserve a New Vision for Their Future

Congress must recognize that investing in children is not an expense but a contribution to our collective future. Lawmakers should:

- **Reject Harmful Cuts:** Oppose reductions to Medicaid, TANF, SNAP, and other initiatives that would leave millions of children without health care, food, financial support, early childhood, child care, or social services.
- **Increase Federal Investment in Children:** Ensure that children receive their fair share of federal spending, reversing the trend of declining investments in programs that support their well-being.
- **Strengthen Existing Investments:** Expand access to critical services and improve program efficiency without erecting additional barriers for struggling families.
- **Adopt a Children's Budget Target:** Commit to adopting a federal budget that no longer shortchanges and disproportionately cuts investment in children and our future.

Elected officials must ensure that policy decisions reflect our values and future aspirations. Advocates will ask and answer, *"Who's for kids, and who's just kidding?"*

A Vision for a Child-Centered Future

Children deserve a country where every child has access to health care, nutritious food, and education. A nation where no child grows up in poverty, and where investments in early childhood programs lay the foundation for lifelong success.

This vision is achievable if we choose to prioritize children in our budget and policy decisions. Investing in children today means building a stronger, healthier, and more prosperous America tomorrow.

Instead of asking, "How much does it cost to invest in children?", we should be asking, "How much will it cost if we don't?"

Only then will the United States be a country that truly puts its children first.