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**Newsletter**

# Reconciling Reconciliation: How the "One Big Beautiful Bill Act" Will Impact Children


Robin Hood in reverse.

That's how the budget reconciliation bill signed into law last month by President Donald Trump is described in a recent *U.S. News and World Report* commentary by Elaine Maag, senior fellow at the nonpartisan Tax Policy Center of the Urban Institute and Brookings Institution in Washington, DC, along with NEPC Fellow Bruce Fuller, a professor emeritus at the University of California, Berkeley.

Under the new law, Maag and Fuller write, the average one-percenter will get an $80,000 per year federal income tax break. By contrast, the average middle-class family, with annual earnings less than that $80,000 tax break, will get $720. This small break is due, in part, to an increase in the child tax credit, which benefits most children, by 10 percent ($200)—to $2,200 per year per child.

Meanwhile, an analysis from the Congressional Budget Office estimates that people in the lowest income bracket will suffer a $1,200 hit, primarily due to cuts to Medicaid and food assistance programs. The poor will help the rich get even richer.

Moreover, "the modest tax savings for middle-class families will be erased by climbing energy costs, higher health insurance premiums and copays and dwindling student aid for kids who head to college or job training," Maag and Fuller estimate.

That dwindling aid would, if Congress adopts the 2026 budget proposed by the Trump administration for public K-12 education, be accompanied by another $7 billion of cuts. A tool developed by the Education Law Center allows users to estimate how much money this means for their own school districts and their states.

And the administration has spearheaded changes that could impact children in other ways. For example, the reconciliation bill will reduce Medicaid spending by about $1 trillion over the next 10 years. Medicaid is the fourth largest federal funding source for K-12 schools. It pays for school-based health clinics and for students with disabilities to receive services such as psychological counseling and physical and occupational therapy. In addition, roughly half of American children receive healthcare through Medicaid or the Children's Health Insurance Program.

Although the Medicaid cuts in the new law will more directly impact adults, children of uninsured parents are less likely to obtain health insurance or to receive medical care (even if they are already insured).

The reconciliation bill also reduces state funding for the Supplemental Nutrition Assistance Program, or SNAP, which subsidizes food for people in low-income families. These reductions may impact schools in at least two ways. First, about 40 percent of SNAP recipients are children. Some states have already indicated that they won't increase funding to make up for the reductions. Second, in states that offer Broad-Based Categorical Eligibility, the children of families receiving federal public assistance are automatically entitled to receive free meals at school. Schools in which at least a quarter of the students' families receive federal assistance for low-income families can also receive federal funds to subsidize the provision of free meals to all the students enrolled. The reductions in the number of SNAP and Medicaid recipients will likely result in corresponding cuts to children in these schools.

Further, because most states are required by law to annually balance their budgets, those that elect to backfill federal reductions to Medicaid and SNAP will likely find themselves with less funding available for K-12 education, which is typically the largest or second-largest expense in states' budgets.

In the end, the nation's poor will take a big hit, while its "middle class . . . will struggle ever more to pay rent, cope with higher prices and save for college," Maag and Fuller conclude.

And they never even mentioned the bill's provision to shift tax revenues to pay for private school tuition.

## NEPC Resources on School Finance and Funding

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