September 21, 2023

The Honorable Joseph R. Biden
The White House
1600 Pennsylvania Ave, NW
Washington, DC. 20500

The Honorable Charles Schumer
U.S. Senate
322 Hart Senate Office Building
Washingon, DC. 20510

The Honorable Mitch McConnell
U. S. Senate
317 Hart Senate Office Building
Washington, DC 20510

The Honorable Kevin McCarthy
U.S. House of Representatives
326 Cannon House Office Building
Washington, DC. 20515

The Honorale Hakeem Jeffries
U.S. House of Representatives
1607 Longworth House Office Building
Washington, DC 20515

Dear President Biden, Majority Leader Schumer, Minority Leader McConnell, Majority Leader McCarthy and Minority Leader Jeffries:

As a group of advocacy organizations specifically focused on child well-being, we the undersigned have grave concerns that the actions of extreme factions within Congress will cause undue harm in the near-term and well into the future for children and families with the lowest incomes. The newly released Census poverty data for 2022 shows the child poverty rate more than doubled with nearly 9 million children living in poverty in 2022 compared to 3.8 million in 2021 as critical policy choices resulted in the expiration of expanded income supports for families.

In addition, the Fiscal Year (FY) 2024 budget blueprint in the House and annual spending bills aim to limit access to vital resources like food, housing, healthcare, childcare, education, and more while simultaneously some members of the House are pushing through a tax package that disproportionately benefits large corporations and the wealthiest, will erode revenue, taking away security and stability from children and their families. Congress must prioritize investing in the well-being of our nation's youth rather than adding $320 billion to our national debt in the near-term through tax breaks for the wealthy and big corporations.

House leadership's efforts to move both FY 2024 annual spending bills that undercut the agreed upon funding levels in the debt ceiling negotiations and the partisan House Ways and Means Committee-passed tax package create a unified budget that leaves kids far behind. The proposed funding cuts would negatively impact every aspect of children's daily lives, healthy development, and safety, increasing hardship for the millions of families with low incomes already struggling to pay rent, put food on the table, afford health care, provide material basic necessities, and care for their kids.

Not only are the proposed annual spending cuts in bad faith of the agreement made during debt ceiling negotiations – which already includes spending caps that severely cut funding for vital programs and services – but also the proposed tax package ignores children's urgent needs while expanding tax benefits for corporations that saw record profits during the pandemic at the expense of working families. As advocates for our nation's children and youth, we strongly urge you to prioritize their health, safety, protection, and well-being. Specifically, we request that you:

- **Prioritize investments in children during the annual appropriations process.** Children depend on a wide range of federal programs including housing, child care, Head Start, K-12education, public health, food assistance, and more. Any cuts would create additional hardships for children and their families, negatively impacting the healthy development and well-being of our youngest when a growing body of research tells us that investing in children results in better near- and long-term positive outcomes for them, their families, and the country's overall economy.

- **Focus on tax fairness.** A fair tax code is how we generate the revenue needed to support the programs that benefit children. With fair and adequate revenues, Congress can fund the investments children need while still making substantial reductions in the deficit. According to the Congressional Research Service in FY 2021, the individual income tax contributed $2 trillion, or 50.5% of the federal government's revenue while the corporate income tax contributed significantly less, generating $212 billion in FY 2021, or 9.2% of total revenue.

- **Create a unified budget of robust funding and a tax code that generates revenue to invest in programs that support kids.** The annual spending levels and tax code must work in tandem to provide all children with the support and resources needed to live a safe, healthy, and happy life. In addition to robust funding for federal programs, any tax package moving forward must include a permanently expanded refundable Child Tax Credit available monthly. A comprehensive, unified budget provides greater transparency into budget and policy priorities and outcomes to better inform decision-makers and empower the public to hold officials accountable.

The appropriations process and tax legislation fundamentally shape the federal budget, reflecting the morals and priorities of our nation. There is no greater investment priority than the well-being of our nation's children. Families with the lowest incomes are in crisis and Congress has a moral obligation to support children's emergent and future needs. Every child should have access to safe and healthy environments to play, learn, live, and thrive.

The Fiscal Responsibility Act allowed the nation to avoid default while establishing agreed upon spending levels. The Senate has been adhering to the debt ceiling agreement and proceeding in a bipartisan manner with the FY 2024 annual spending bills. Alarmingly, the House majority is walking away from the deal and the chamber's Appropriations Committee adopted 302(b) allocations that are well below – some subcommittees' allocations decrease more than 25% – the agreed upon level, representing about $119 billion in cuts to non-defense discretionary programs. Children stand to be most negatively impacted by the failure of Congress to provide adequate funding for FY 2024, and when we fail to invest in our youngest to reach their full potential, our families, communities and economy suffer too.

Below are examples of the harmful impacts reverting to FY 2022 spending levels would have on kids across a wide range of federal programs:

1. **Childhood Hunger & Food Insecurity:** The House FY2024 Agriculture Appropriations bill dramatically cuts funding for WIC, potentially forcing eligible children and new moms onto waiting lists for the first time in nearly 30 years. The House proposal also slashed funding for WIC's enormously successful fruit and vegetable benefit, reducing access to fruits and vegetables by 56% for children and approximately 70% for pregnant women and new moms– marking the first time in the program's nearly 50-year history that Congress has suggested cutting WIC benefits for families in order to defray program costs. This comes at a time when the Department of Agriculture's data demonstrates WIC enrollment is increasing beyond earlier projections for FY2024. No child should go hungry.

2. **Housing:** During the 2020-2021 school year, more than 1 million school-age children experienced homelessness affecting their ability to learn and develop physically and cognitively, and 5% of all children under 6 were experiencing homelessness even before the start of the pandemic. A return to FY 2022 enacted levels would cut $22 billion from the Transportation-Housing and Urban Development bill which funds crucial rental assistance and community development programs to provide stability for these same children. Rescinding over $564 million in funding for programs that mitigate housing-related risks of lead poisoning and other illnesses for lower income families, especially those with children, would result in 55,000 fewer homes safe of hazards and adversely impact approximately 78,000 children who would continue to be reside in homes that may have lead-based paint hazards without their knowing of it.

3. **Education:** Drastic funding cuts would result in severely undermining the federal investment in education. Title I, the foundational federal investment in public K-12 education which focuses on sending support to low-income students and communities, would be cut by 80%, leading to the loss of 220,000 teachers. 5 million students learning English as a second language would lose vital academic supports. College would be more expensive for 6.6 million low-income recipients of the Pell Grant. Instead of cuts,

students are in dire need of safer facilities to learn, with well-trained teachers, and resources in schools to address their mental and psychosocial needs as well as the emergency state of environmental health problems in our schools.

4. **Child Care and Early Learning:** The proposed House FY2024 Labor HHS Appropriations bill would cut 80,000 children from the vital services provided by Early Head Start and Head Start. This proposed cut would occur as the child care stabilization funds provided in the American Rescue Plan come to an end, according to a recent report by The Century Foundation, it is estimated that 3.2 million children could lose their child spots and 70,000 programs could close across the country. High-quality early care and education programs foster positive, on-time post-secondary educational outcomes for children, improved cognitive development, emotional development, and academic achievement, and less involvement with the criminal justice system. Undercutting our early learning system at this time would do short- and long-term damage to our children.

5. **Health Care:** Nearly 30% in proposed health care cuts for FY2024, including cuts to the National Institute of Mental Health and the Substance Abuse and Mental Health Services Aministration, would severely impact all aspects of accessing care for children and families — which is especially concerning during a time of crisis for kids' mental health. According to the Surgeon General, one in five students will develop a significant mental health problem between the ages of 3 and 17. And 60% of children with major depression do not receive any mental health treatment. As in the larger health care sector, disparities based on race, sexual orientation, and gender identity also exist in mental health care. Between 2007 and 2017, the suicide rate for Black children rose from 2.55 per 100,000 to 4.82 per 100,000, and suicide attempts are rising faster among Black youth than any other racial or ethnic group. As the University of South Carolina Rural Health and Minority Research Center noted, "rural children disproportionately live in homes affected by current substance misuse or mental illness… and nearly all rural counties experience shortage areas for mental health care".

6. **Youth Justice:** Cutting funding back to FY 2022 comes with significant equity concerns as it would result in a 35% reduction in awards to states and localities, endangering programs that aid at-risk youth and reduce racial and ethnic disparities in the youth justice system. The House Commerce-Justice-Science annual spending bill cuts youth justice programs, including a $65 million cut to the Title V Delinguqnecy Prevention Incentive Grants and $11 million cut to the Missing and Exploited Children programs.

The fiscal status of the U.S. government depends on both spending decisions and revenue raising actions. The United States tax code is the government's primary means of raising revenue to invest in the operation of numerous programs and services that support children and families. Children and families should be primary beneficiaries of the revenues generated by our tax code, not corporations. However, the tax package passed by the House Ways and Means Committee would result in more tax cuts for businesses that already have enjoyed billions of dollars in credits during the pandemic while doing little for Americans with the lowest incomes who face the biggest barriers to economic mobility.

Recent findings from the Institute on Taxation and Economic Policy (ITEP) underscore the lopsided policy priorities included in the proposed tax package:

- In 2024, the poorest fifth of American would receive an average tax cut of just $40 while the richest 1% would receive an average $16,550 tax cut next year.

- The legislation includes an increase in the standard deduction that would help some middle-income taxpayers but would do little for those who most need help. 60% of benefits are estimated to go to households in the top 40% of the income distribution.

- As a result, the richest fifth of Americans would receive $60.8 billion in tax cuts next year while the poorest fifth of Americans would receive only $1.4 billion in tax cuts.

Furthermore, analysis from a December 2022 study by the General Accounting Office (GAO) finds that the federal income tax rate paid by large, profitable corporations dropped from 16% to 9% in the first year the 2017 Tax Cuts and Jobs Act went into effect. In each year from 2014 to 2018, about half of all large corporations — those with $10 million or more in assets — had no federal income tax liability. The share of these companies with no tax liability rose from approximately 22% to approximately 34% between 2014 and 2018. In contrast, individual income taxes are the largest single source of federal revenues as corporate income tax revenues have become a smaller share of overall tax revenues, eroding the resources available for programs assisting our children and grandchildren. Moreover, House rules for the 118th Congress will only exacerbate the issue of corporations not paying their fair share: Going forward tax cuts for corporations and the wealthiest households can pass without offsets, but the refundable portion of tax credits — which benefit children and families, such as the Child Tax Credit (CTC) — must be paid for, or offset, with other mandatory spending cuts. The design of the U.S. tax code and tax policy enforcement practices favor large corporations and the wealthiest households.

In addition, the three bills comprising the tax package fail to include mechanisms that allow the government to raise revenues to put toward vital programs for children and instead rely on the proposed repeal of green energy tax credits that would help the U.S. lead the clean energy economy transition and realize our climate goals to offset the cost of the tax package. Children face negative consequences because of the potential for a significant drop in revenue – an estimated $320 billion through FY2025 — and according to the Environmental Protection Agency, children are more vulnerable to health impacts of climate change as they grow and families with children living in poverty may be less able to prepare for and respond to extreme weather resulting in greater impacts from climate-related hazards.

Compounding these tax proposals, efforts are underway to rescind much needed investments in the Internal Revenue Service (IRS). The Senate's bipartisan approach follows the debt ceiling agreement rescinding $10 billion worth of IRS funds from the Inflation Reduction Act (IRA) to offset FY 2024 spending while the House aims to clawback $67 billion of the $80 billion authorized in the IRA. With a decade of devastating cuts to the agency, taxpayers are in desperate need of IRS modernization and expansion of services. IRS investments now would help the agency manage the backlog of tax returns, enforce tax rules, modernize business systems, hire staff and improve customer service, including outreach to families who need assistance filing for tax credits such as the CTC and EITC. Additional resources would allow the IRS to collect taxes owed and will raise an estimated additional $200 billion to $400 billion over 10 years. Enhanced resources for the IRS could help to address the outdated assumptions and racial and gender biases embedded in the tax code that continue to disadvantage low-income households, families with children, Black and brown communities, transition-age youth, women, immigrants, residents of U.S. territories, and those who encounter the biggest barriers to economic opportunity.

Creating a fair tax code isn't just a matter of racial equity and economic justice. Generating revenues that allow for investment in our children is fiscally responsible and morally sound. Investing in children not only results in better socioeconomic outcomes for kids and their families, but also is a boon to the country's overall economy — the public benefits $7 for every $1 spent on reducing childhood poverty. Improving economic mobility for lower-income families, youth, and children requires a mix of policy solutions. Advancing a fairer, more equitable tax code that works for everyone would help those families afford basic living expenses, reduce child poverty, support healthy child development, address income and racial inequities, and build families' financial security.

Congress must raise needed revenues by making corporations and the wealthiest pay their fair share. Additionally, any tax package that does not include a permanent expansion of the monthly, refundable Child Tax Credit is unacceptable. The Child Tax Credit is the single greatest tool in the elimination of child poverty. The 2021 expanded Child Tax Credit provided parents and caregivers with monthly checks of up to $300 per child to pay for basic necessities. These robust and regular payments to families resulted in historic reductions in child poverty and food insecurity.

Our tax code should benefit hard working families and reduce childhood poverty rather than support large, multinational corporations and the top 1% of income earners. Any other system is unjust and betrays its purpose to provide services that benefit all Americans. By slashing funding for programs to FY 2022 levels or lower and proposing regressive changes to our tax code, Congress is ensuring that there will be alarmingly inadequate supports available to help children thrive. This is unacceptable.

We call on Congress to prioritize investments that support children and families in the FY 2024 appropriations process, build off recent successful increased investments in our children, and pass a tax bill that generates enough revenue to ensure the longevity of these programs and restores the expanded Child Tax Credit. As a nation, we have a moral obligation to our children and youth to support their dignity, well-being, and development. We must act today to ensure a brighter future for generations to come. When we do right by all our children, we all benefit.

Sincerely,

Children's Defense Fund

First Focus Campaign for Children

American Federation of Teachers

Children's HealthWatch

Child Welfare League of America

National Diaper Bank Network

National WIC Association

Youth Villages

CC: House and Senate Committees on Appropriations
House and Senate Committees on Budget
House Ways and Means Committee
Senate Finance Committee