Federal Tax Cuts Would Put Billionaires Ahead of Working Families

Eliminating the Public Service Loan Forgiveness (PSLF) Program and the Community Development Block Grant (CDBG) Program would Hurt Students, Low-Income Families, and the Illinois Economy

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The federal government plays a prominent role in supporting education and promoting economic development. However, two new reports from the Illinois Economic Policy Institute (ILEPI) and the Project for Middle Class Renewal (PMCR) at the University of Illinois at Urbana-Champaign find that recent proposals by Congress and the Trump Administration will undermine these objectives by putting the interests of billionaires and corporations ahead of working families.

Nonpartisan analysts have already noted that the tax cut plans proposed in Congress benefit the wealthy significantly more than students, low-income individuals, and the middle class. In Illinois, the richest one percent would receive 46 percent of the proposed tax cut recently introduced in the U.S. House of Representatives. The plans released in both the House and Senate have each received a failing grade from higher education groups because they would eliminate tax credits for education—including the student loan interest deduction and the business deduction for education-assistance plans—and levy new taxes on tuition waivers, which would impact 145,000 graduate students who receive waivers to cover tuition.

Matched with other administration priorities, such as a dramatic boost to defense spending, the tax cut proposals would raise the federal budget deficit by about $1.5 trillion and will need to be offset either by spending cuts or by increases in other taxes over the long run. If tax cuts are financed by eliminating essential public programs, then low-income and middle-class families will be negatively impacted. The following reports illustrate the potential consequences for Illinois following the elimination of the Public Service Loan Forgiveness (PSLF) program and the Community Development Block Grant (CDBG) program, as were indicated in President Trump’s proposed budget.

The Consequences of Abolishing the Public Service Loan Forgiveness Program

One of President Trump’s proposed budget cuts pertains to the Public Service Loan Forgiveness (PSLF) program, which would be eliminated for individuals who take out student loans on or after July 1, 2018. The PSLF program subsidizes federal student loan repayments for workers employed in the public sector and by eligible nonprofit organizations to encourage individuals to work in public service occupations.

- There are approximately 21,000 young workers in Illinois who benefit from the PSLF program—including teachers, librarians, social workers, psychologists, detectives, fire marshals, scientists, public works engineers, researchers, and religious workers, among many others.
- PSLF-eligible workers earn an average income of just over $50,000 annually but face an average student loan debt burden of about $80,000.
- The PSLF program puts more than $7,000 per year into the pockets of the average Illinois PSLF borrower.
- The PSLF program boosts the Illinois economy by $118 million and saves or creates nearly 1,300 jobs annually.
- The PSLF program increases home sales by $15 million every year and enables over 1,500 young workers the ability to rent in the Illinois economy—rather than living at home with their parents.
The Elimination of the Community Development Block Grant (CDBG) Program

The Trump Administration’s fiscal year 2018 budget proposal included the complete elimination of the CDBG program as part of $6 billion in cuts to the U.S. Department of Housing and Urban Development (HUD). The CDBG program is a federal block grant that gives state and local governments access to flexible funding for infrastructure projects, economic development initiatives, housing rehabilitation programs, and critical public services to help low-to-moderate income people.

- The CDBG program directly assists 24 million low-to-moderate income people, including 4.5 million special needs persons, 4 million elderly Americans, and about 150,000 veterans.
- The elimination of the CDBG program would result in more than 460,000 low-to-moderate income people losing direct assistance in Illinois.
- The CDBG program supports 1,800 full-time jobs and $168 million in economic activity in Illinois.
- Nationally, cutting the CDBG program would result in the shutdown of 11,000 city and county public projects, which would negatively impact over 32,000 businesses and contractors.
- 63 percent of U.S. mayors said that the elimination of the CDBG program would have a negative impact on their cities.

The Trump Administration and Illinois’ congressional delegation must consider the negative economic impacts of paying for a $1.5 trillion tax cut that disproportionately benefits the wealthy on the backs of working families, students, and other vulnerable populations. Specific cuts to the Public Service Loan Forgiveness and Community Development Block Grant programs, for example, would leave millions of students, low-income individuals, veterans, elderly persons, and middle-class families without the financial assistance and vital care that they need – and would harm the Illinois economy.