Federal Update:
A New Year with Lots of Loose Ends

NCSL Fiscal Analysts Seminar
Portland, ME

October 2015
## 2015 congressional “to do” list

<table>
<thead>
<tr>
<th>Done</th>
<th>Must Do</th>
<th>May Do</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term CR</td>
<td>FY 2016 appropriations</td>
<td>Transportation</td>
</tr>
<tr>
<td>FAA</td>
<td>Program extensions</td>
<td>ESEA</td>
</tr>
<tr>
<td>CHIP</td>
<td>Debt limit</td>
<td>Older Americans Act</td>
</tr>
<tr>
<td>Health extenders</td>
<td>Tax extenders</td>
<td>Child welfare financing reform</td>
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<td></td>
<td></td>
<td>TANF</td>
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<td>Reconciliation</td>
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</tbody>
</table>
Where the money goes: pieces of the federal budget pie

Federal Outlays, FY 2015
(amounts in billions)

- Social Security: $891 billion (23.7%)
- Medicare: $529 billion (14.1%)
- Medicaid: $329 billion (8.8%)
- Other Mandatory: $627 billion (16.7%)
- Net Interest: $229 billion (6.1%)
- Defense: $589 billion (15.7%)
- Domestic Discretionary: $558 billion (14.9%)

Includes programs such as:
- Federal Retirement
- Unemployment Compensation
- Food and Nutrition Assistance
- Supplemental Security Income
- Earned Income Tax Credit

Source: OMB Historical Tables, FY 2016
The composition has changed over time

<table>
<thead>
<tr>
<th>Category</th>
<th>FY 2005</th>
<th>FY 2015</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Discretionary</td>
<td>19.9%</td>
<td>14.9%</td>
<td>-5.1%</td>
</tr>
<tr>
<td>Defense</td>
<td>18.1%</td>
<td>15.7%</td>
<td>-2.4%</td>
</tr>
<tr>
<td>Net Interest</td>
<td>7.3%</td>
<td>6.1%</td>
<td>-1.2%</td>
</tr>
<tr>
<td>Medicaid</td>
<td>7.9%</td>
<td>8.8%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Medicare</td>
<td>11.9%</td>
<td>14.1%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Social Security</td>
<td>21.1%</td>
<td>23.7%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Other Mandatory</td>
<td>13.8%</td>
<td>16.7%</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

Source: OMB Historical Tables, FY 2016
The role of grants in federal spending

Outlays for Grants to State and Local Governments

Source: OMB Historical Tables, FY 2016
Non-Medicaid grants have been flat.
HHS has largest number of grants

Distribution of Grants by Federal Agency

- Other, 405, 30%
- HHS, 325, 24%
- HUD, 40, 3%
- DHS, 53, 4%
- DOT, 57, 4%
- DOI, 174, 13%
- DOJ, 73, 5%
- USDA, 116, 9%
- ED, 113, 8%

1,356 Federal grant programs
HHS distributes the most funding

Distribution of Grant Dollars by Federal Agency ($ in billions)

- HHS, $337.0, 65%
- DOT, $55.6, 11%
- USDA, $31.5, 6%
- HUD, $20.9, 4%
- ED, $19.6, 4%
- DHS, $9.3, 2%
- DOJ, $2.2, 0.4%
- DOI, $2.8, 0.5%
- Other, $42.4, 8%

Total: $521 Billion
Major program areas supported by grants

Grants to State and Local Governments by Function, FY 2014
(amounts in billions)

- Health, $320 (56%)
- Income Security, $101 (18%)
- Transportation, $62 (11%)
- Education, Training, Employment, and Social Services, $68 (11%)
- Community and Regional Development, $13 (2%)
- Agriculture, <$1 (<1%)
- Energy, Natural Resources, and Environment, $7 (1%)
- Other, $8 (1%)
- Justice, $4 (1%)

Includes programs such as:
- Child Nutrition
- Low Income Home Energy Assistance Program
- Temporary Assistance for Needy Families
- Public Housing Operating Fund
- Unemployment Insurance

Source: OMB Historical Tables, FY 2016, Table 12-3
Mandatory vs. discretionary grants to states

- Mandatory: 22%
- Discretionary: 78%
Mandatory vs. discretionary funding to states

- Mandatory: 75%
- Discretionary: 25%
2015 congressional “to do” list

• Done
  ✓ Short-term CR
  ✓ Federal Aviation Administration extended
  ✓ Children’s Health Insurance Program reauthorized
  ✓ Health programs extended
The CR: details

• Expires 12/11/15
• Most discretionary funding at FY 2015 levels, with -0.2108% ATB rescission
• Abides by overall FY 2016 BCA cap
  – Exceeds cap for non-defense discretionary
  – Defense discretionary below (OCO account)
• Includes standard CR language
## Program Extensions in FY 2016 Continuing Resolution

<table>
<thead>
<tr>
<th>Programs Not Extended</th>
<th>Programs Extended</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments in Lieu of Taxes (PILT)</td>
<td>Internet Tax Freedom Act</td>
<td>12/11/2015</td>
</tr>
<tr>
<td>Secure Rural Schools (SRS)</td>
<td>E-Verify</td>
<td>12/11/2015</td>
</tr>
<tr>
<td>Land and Water Conservation Fund (LWCF)</td>
<td>TANF and related programs*</td>
<td>12/11/2015</td>
</tr>
<tr>
<td>Export-Import Bank</td>
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* Includes TANF block grant, matching grants to territories, healthy marriage promotion and responsible fatherhood grants, and the mandatory/matching portion of the Child Care and Development Fund (CCDF)
Health programs extended

• Enacted as part of doc fix in April:
  – CHIP funding through FY 2017, with 23 percentage-point E-FMAP increase
  – Related programs through FY 2017
  – QI and TMA (permanently extended)
  – Other health programs through FY 2017

• Delays DSH reductions until FY 2018
2015 congressional “to do” list

• Must do
  – Appropriations
  – Expiring programs
  – Debt limit
  – Tax extenders
Divergent paths create problems

Non-Defense Discretionary Spending under FY 2016 Budget Resolution, President's Budget, and Current Law/CBO Baseline

*CBO baseline figures as reflected in House Budget Resolution
Appropriations hinge on budget deal

• Possible outcomes
  – Congress and president reach budget deal, similar to Bipartisan Budget Act
    • Timing?
    • One year, two year?
    • How much sequester relief?
    • Offsets?
  – Full-year CR
  – Government shutdown
• Mandatory sequestration occurred 10/1/15 for non-exempt programs
  – -6.8% for non-defense
    • Includes SSBG, PSSF, highway spending outside the obligation limitation
  – -9.3% for defense
• Discretionary sequestration built into the caps and enforced by OMB in January
Looming deadlines

October 1, 2015
- Secure Rural Schools
- PILT mandatory full funding
- Land Water Conservation Fund

October 29, 2015
- Surface transportation and boating safety programs expire

November 5, 2015
- Treasury expected to exhaust extraordinary measures for complying with statutory debt limit
Looming deadlines

December 11, 2015
- CR expires
- TANF, mandatory/matching portion of CCDF
- Temporary Internet Tax Moratorium

December 31, 2015
- De facto deadline for renewing “tax extenders” for 2015
2015 congressional “to do” list

• May do
  – Reconciliation
  – Long-term transportation
  – ESEA
  – OAA
  – Child Welfare
  – TANF
House moves first on reconciliation

• Proposals focus on ACA, Planned Parenthood
  – Repeal: Individual and employer mandates, excise tax on high-cost employee health plans, medical device tax, Independent Payment Advisory Board, auto-enrollment requirement
  – Rescind Prevention and Public Health Fund
  – Prohibit federal funds from being made available to certain entities that provide abortions, increase funding for Community Health Centers

• Senate action unclear; president would veto
Financing complicates transportation

- Senate passed 6-year bill; only 3 years paid for
- House plans to release bill shortly
- Strong desire to pass long-term bill, financing major issue
- HTF solvency provides incentive for long-term deal
ESEA heads to conference

• Major issues to resolve:
  – Authorized **spending**
  – **Eliminated** and **added** programs
  – Title I **formula change** (Senate)
  – Title II **formula change** (House/Senate)
  – **MOE** requirements

• Victim of political disruptions?
Title II-A proposals

Importance of Title II-A Hold-Harmless

- Accounted for 87% of FY 2015 allocations
- House would eliminate it immediately
- Senate phases it out gradually

<table>
<thead>
<tr>
<th>Winners</th>
<th>Losers</th>
<th>Winners</th>
<th>Losers</th>
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<tbody>
<tr>
<td>Nevada</td>
<td>West Virginia</td>
<td>Nevada</td>
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<tr>
<td>Arizona</td>
<td>Puerto Rico</td>
<td>Arizona</td>
<td>New York</td>
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<tr>
<td>North Carolina</td>
<td>New York</td>
<td>North Carolina</td>
<td>Pennsylvania</td>
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<tr>
<td>Utah</td>
<td>Louisiana</td>
<td>Georgia</td>
<td>Michigan</td>
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<td>Georgia</td>
<td>Michigan</td>
<td>South Carolina</td>
<td>Connecticut</td>
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<td>Colorado</td>
<td>Pennsylvania</td>
<td>Tennessee</td>
<td>Massachusetts</td>
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<td>South Carolina</td>
<td>Mississippi</td>
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<td>Utah</td>
<td>Minnesota</td>
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<tr>
<td>Texas</td>
<td>Connecticut</td>
<td>Arkansas</td>
<td>Wisconsin</td>
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Senate passes OAA reauthorization

## Jurisdictions with Estimated FY 2016 Funding Increases Under S. 192

<table>
<thead>
<tr>
<th>Home and Community-Based Supportive Services</th>
<th>Congregate Nutrition Services</th>
<th>Preventive Health Services</th>
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</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>Alabama</td>
<td>Nevada</td>
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<tr>
<td>Colorado</td>
<td>Arizona</td>
<td>New Mexico</td>
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<td>Georgia</td>
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<td>Nevada</td>
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<td>Washington</td>
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<td></td>
<td>Minnesota</td>
<td>Wisconsin</td>
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## Setting the stage for TANF and Child Welfare

<table>
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<th>TANF</th>
<th>Child Welfare</th>
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<tbody>
<tr>
<td><strong>Bipartisan House discussion draft</strong></td>
<td><strong>Two Senate Finance bills</strong></td>
</tr>
<tr>
<td>• Maintains current funding level</td>
<td>• Expands Title IV-E (prevention, services)</td>
</tr>
<tr>
<td>• Eliminates contingency fund, redirects for targeted grants</td>
<td>• Simplifies administrative costs</td>
</tr>
<tr>
<td>• Eliminates third-party MOE</td>
<td>• Holds states accountable for results</td>
</tr>
<tr>
<td>• Modifies work participation requirement and penalties</td>
<td>• Provides additional funding, modifications PSSF</td>
</tr>
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Take-aways

- October’s successes or failures will inform the outlook for December regarding:
  - Appropriations/BCA/sequestration
  - Debt limit
  - Surface transportation
  - Program extensions
  - Tax provisions

- Reconciliation won’t happen (requires president’s signature)

- Transportation, ESEA, OAA possible, TANF and Child Welfare unlikely
FFIS reports of interest

- CR (Budget Brief 15-07)
- Federal government shutdown (Budget Brief 15-06)
- CHIP and health extenders (Issue Brief 15-07)
- Transportation reauthorization (Issue Brief 15-26)
- ESEA reauthorization (Issue Brief 15-27)
- OAA reauthorization (Issue Brief 15-28)
- PILT (Issue Brief 15-24)
- LWCF (Issue Brief 15-29)
- Secure Rural Schools (Issue Brief 15-13)
Questions?

• Check for updates at www.ffis.org
• Trinity Tomsic, ttomsic@ffis.org, 202-624-8577