

# Federal Budget Update: The House is from Mars, the Senate is from Venus

# Agenda update



## Budget

- FY 2017 completed
- FY 2018 underway
- BCA constrains
- CR until December

## Structural Reforms

- Health: done (for now)
- Taxes: front burner
- Infrastructure: next week?
- TANF? SNAP? Others?

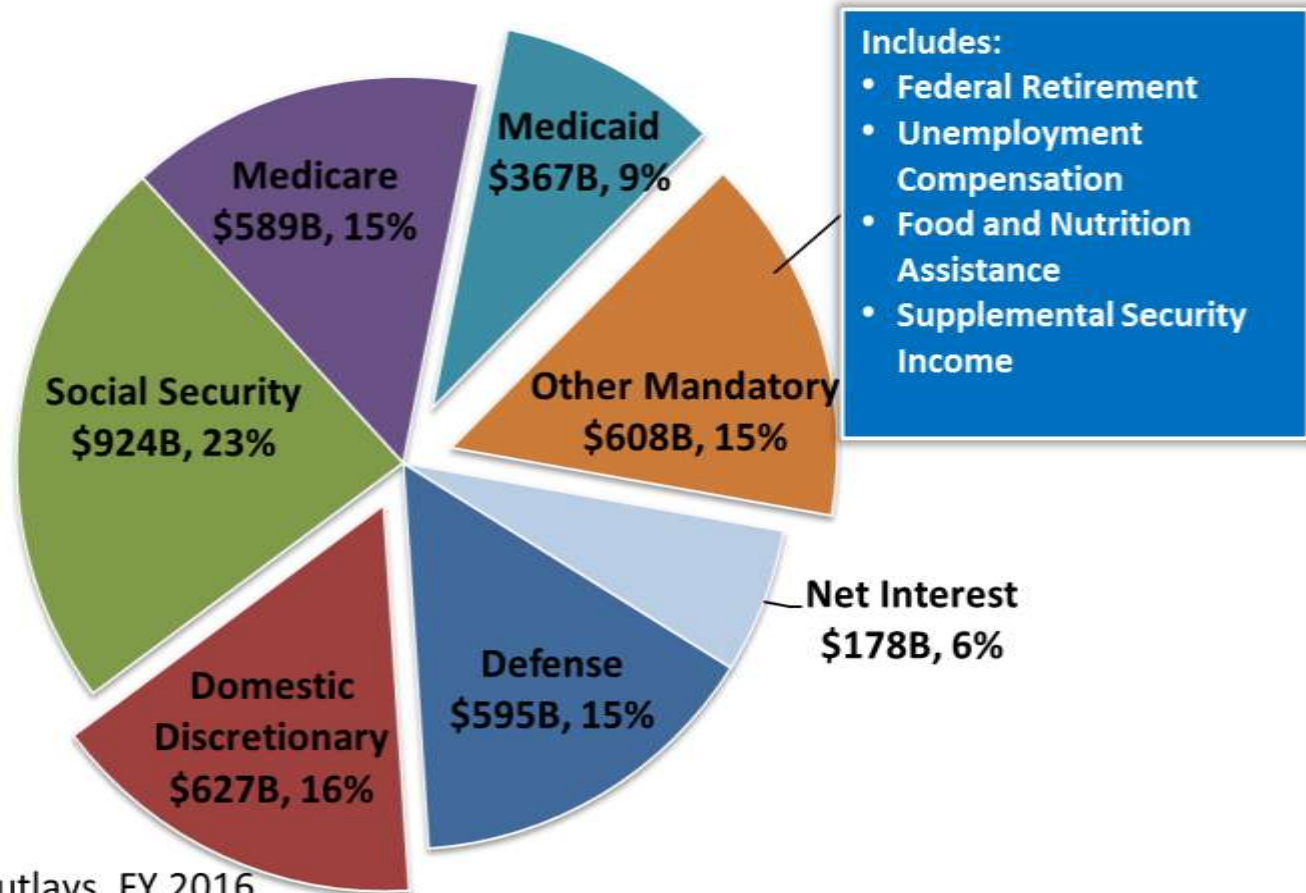
## Debt Limit

- In CR
- Will surface again in early 2018

## Extensions

- CHIP
- Other HHS programs
- FAA: 6-month

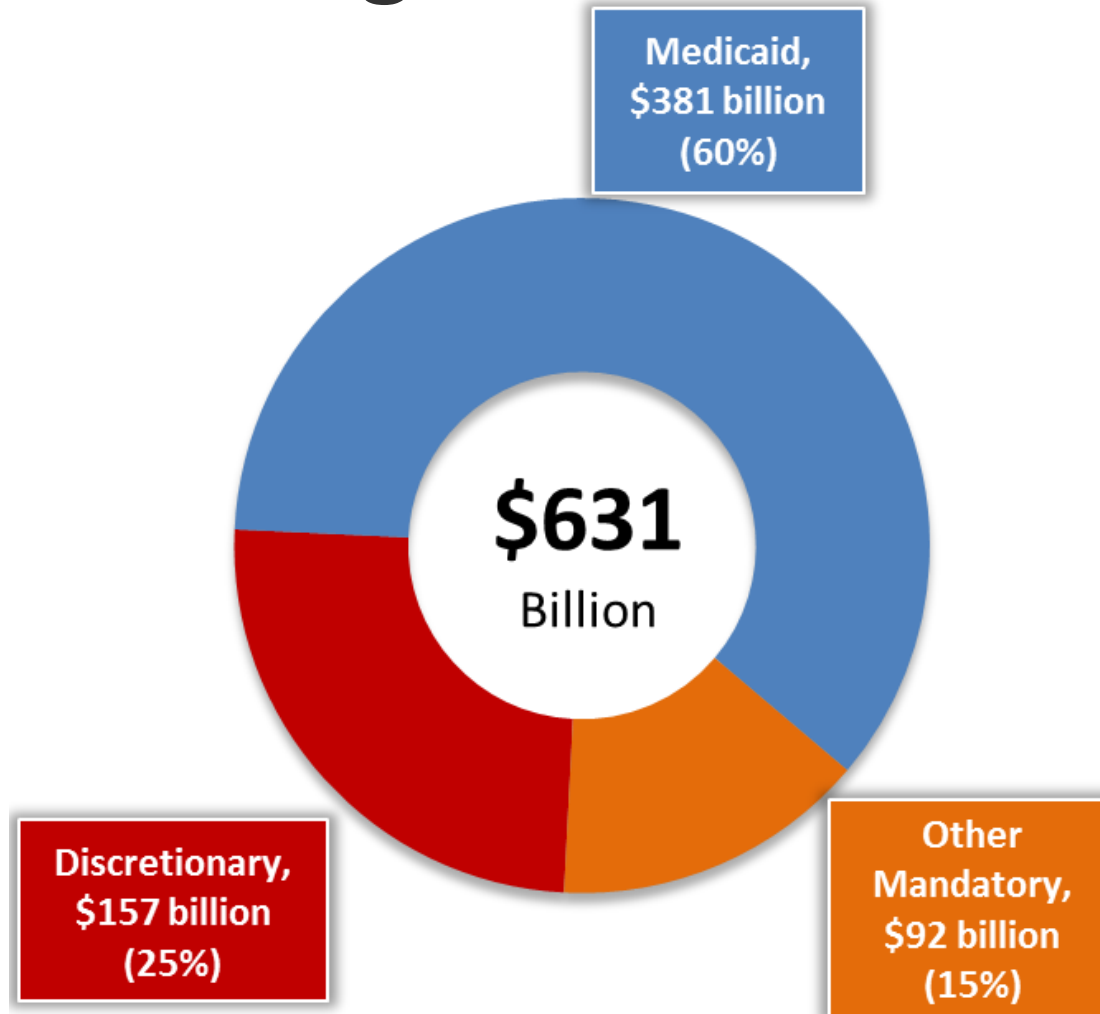
# Most risks in three areas



Federal Outlays, FY 2016

Source: OMB Historical Tables, FY 2017

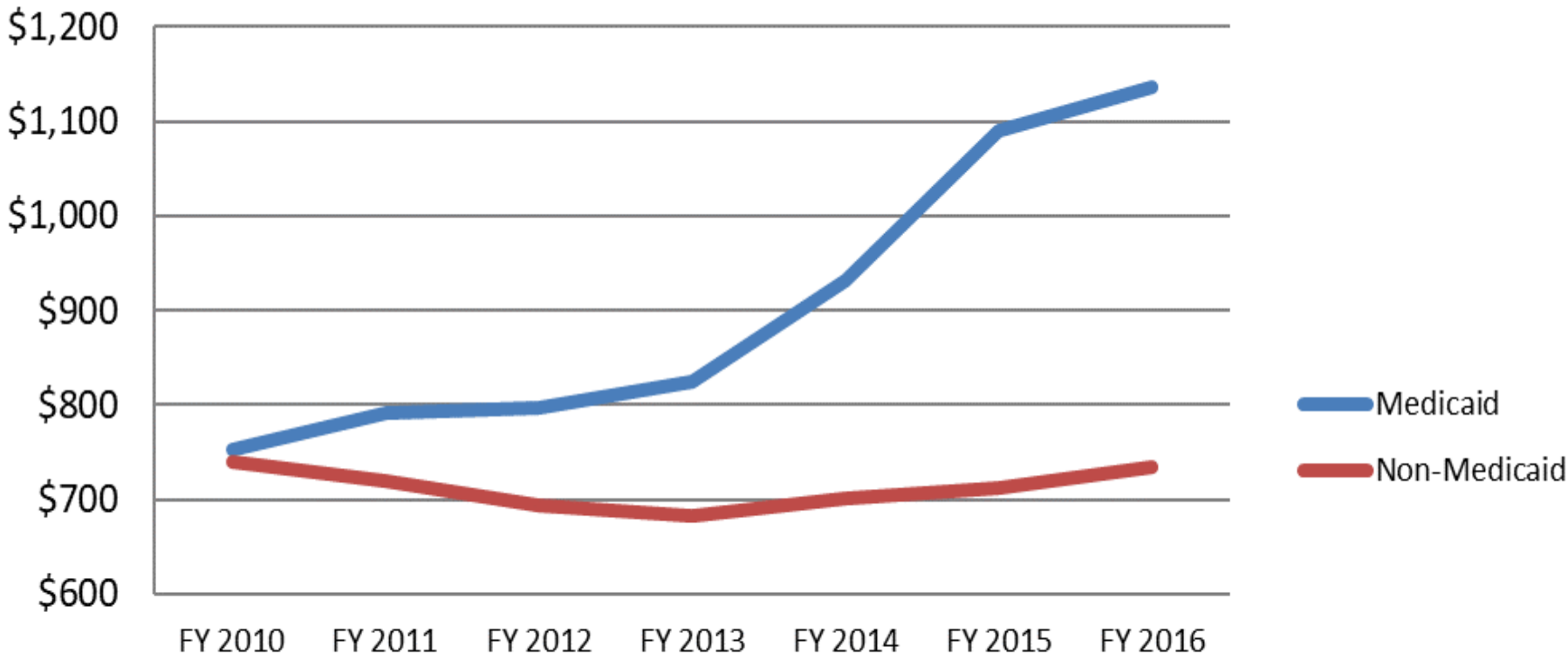
# These same three areas fund state and local grants



Source: FFIS Grants Database, FY 2016



# Non-Medicaid grants relatively flat



Per Capita Federal Grants, FYs 2010-2016

Source: FFIS Database

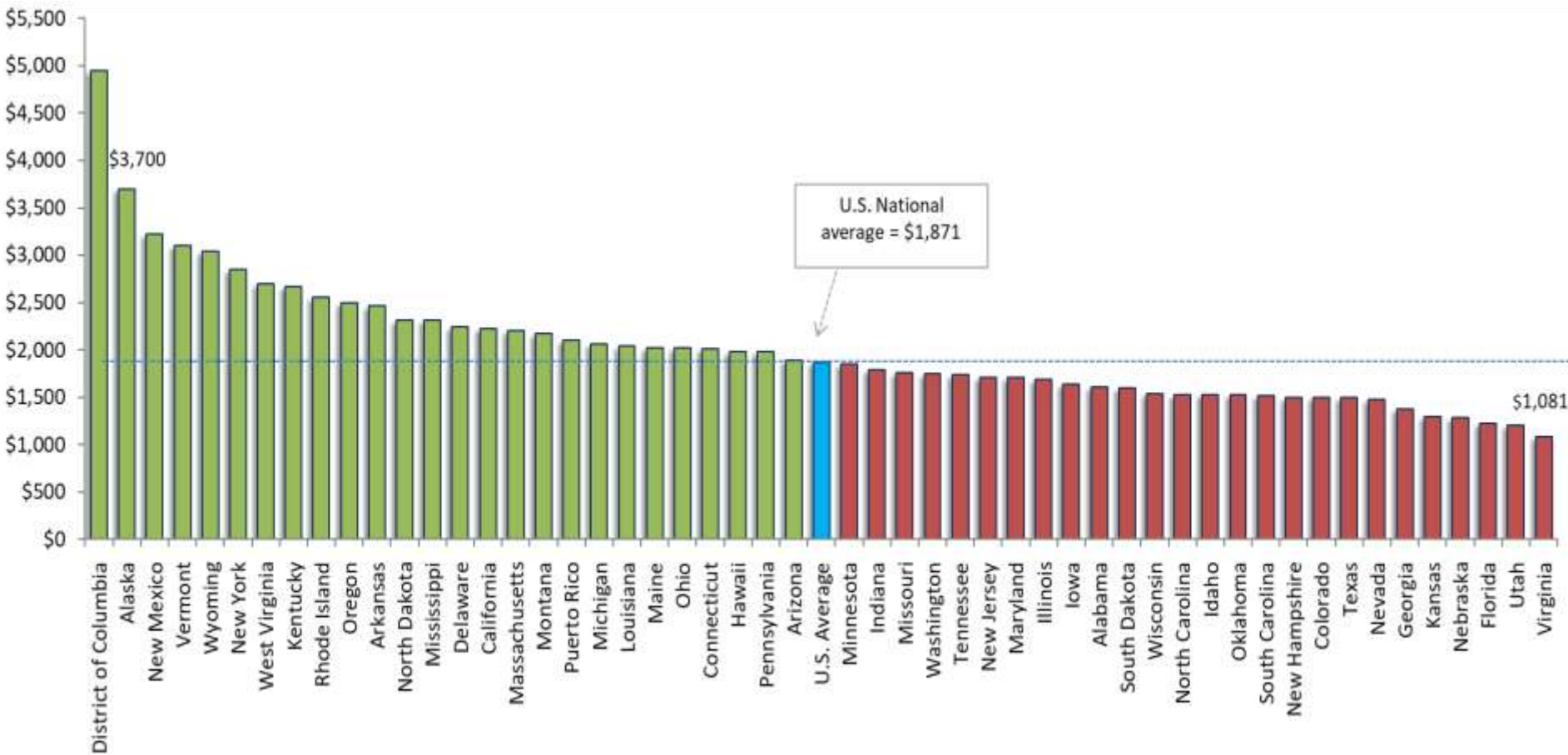


# 10 largest grants = 83% of total

Rank	Program	FY 2016 (\$ in billions)	% of Total	Cumulative Percentage
1	Medicaid	\$398	60.3%	60.3%
2	Highway Planning and Construction	40	6.1%	66.4%
3	Section 8 Housing Choice Vouchers	20	3.0%	69.4%
4	Temporary Assistance for Needy Families	17	2.5%	71.9%
5	Title I-Grants to Local Educational Agencies	15	2.3%	74.1%
6	Children's Health Insurance Program	14	2.1%	76.2%
7	National School Lunch Program	12	1.9%	78.1%
8	Special Education-Grants to States	12	1.8%	79.9%
9	Head Start	9	1.4%	81.3%
10	Transit Formula Grants Programs	9	1.4%	82.6%

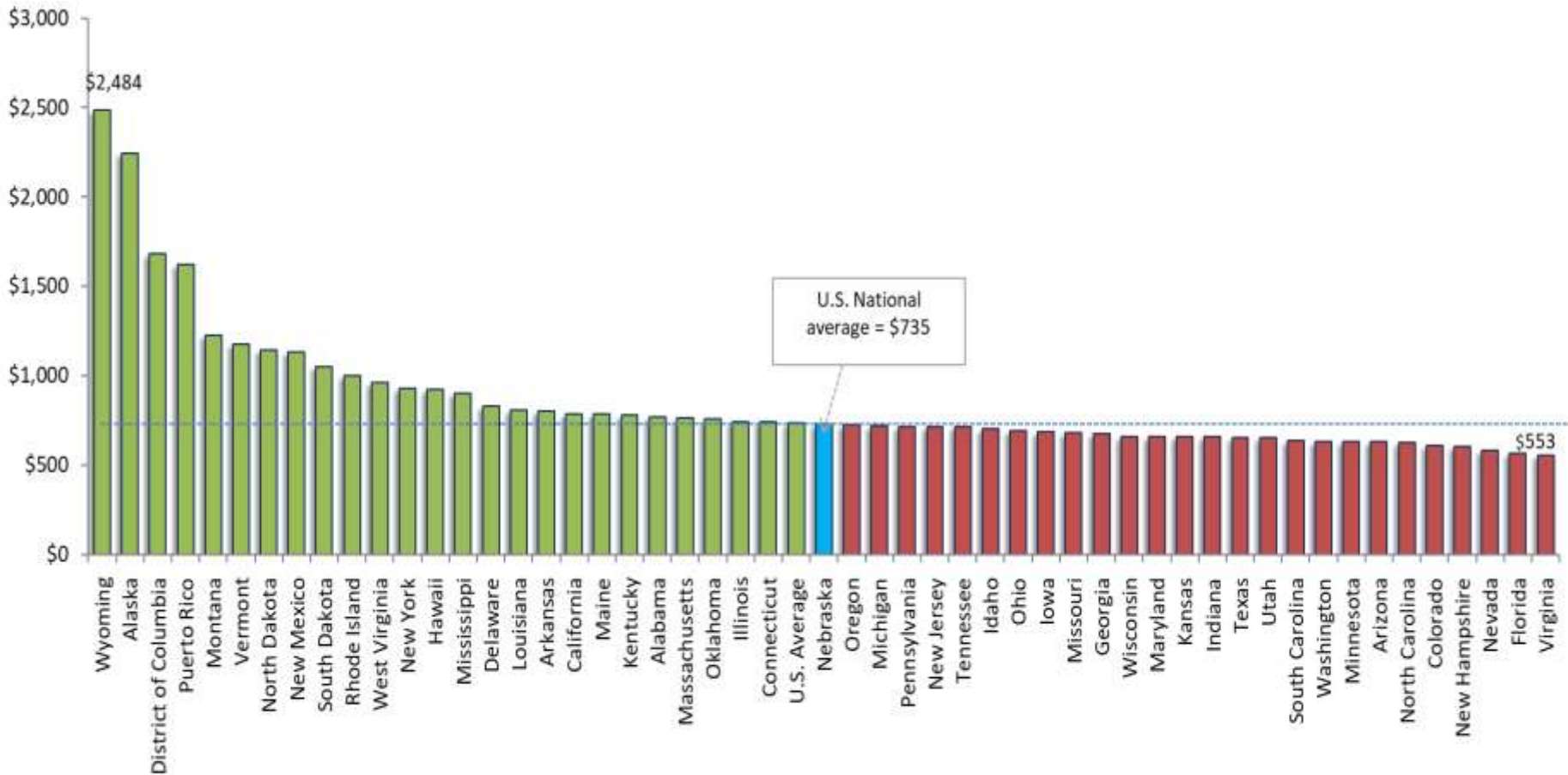
Source: OMB Analytical Perspectives, FY 2018, Table 14.3

# FY 2016 grants per capita varied widely



Source: FFIS Grants Database

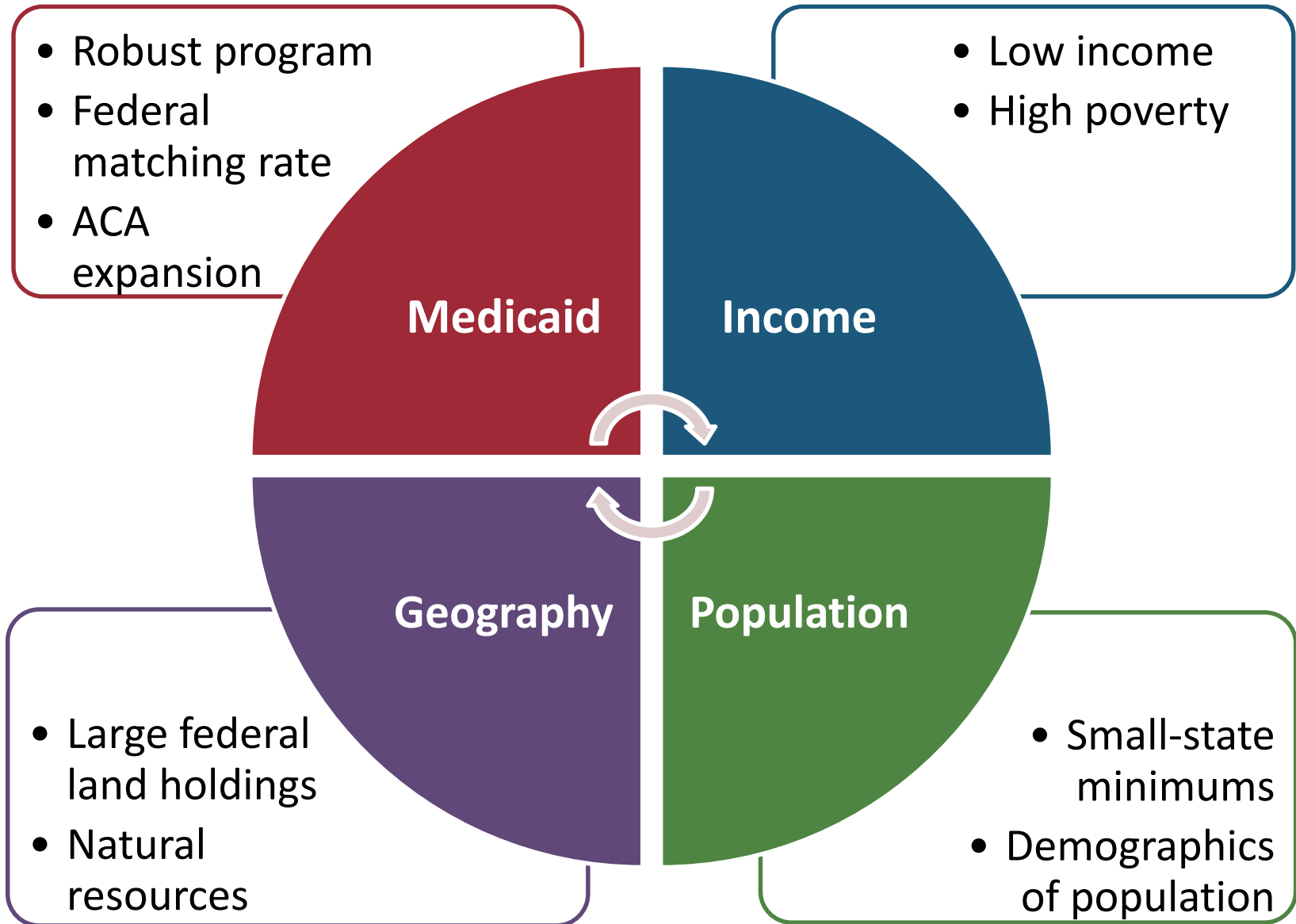
# Removing Medicaid levels the playing field for many states



Source: FFIS Grants Database



# What influences results?



# FY 2017 – it's finally over!



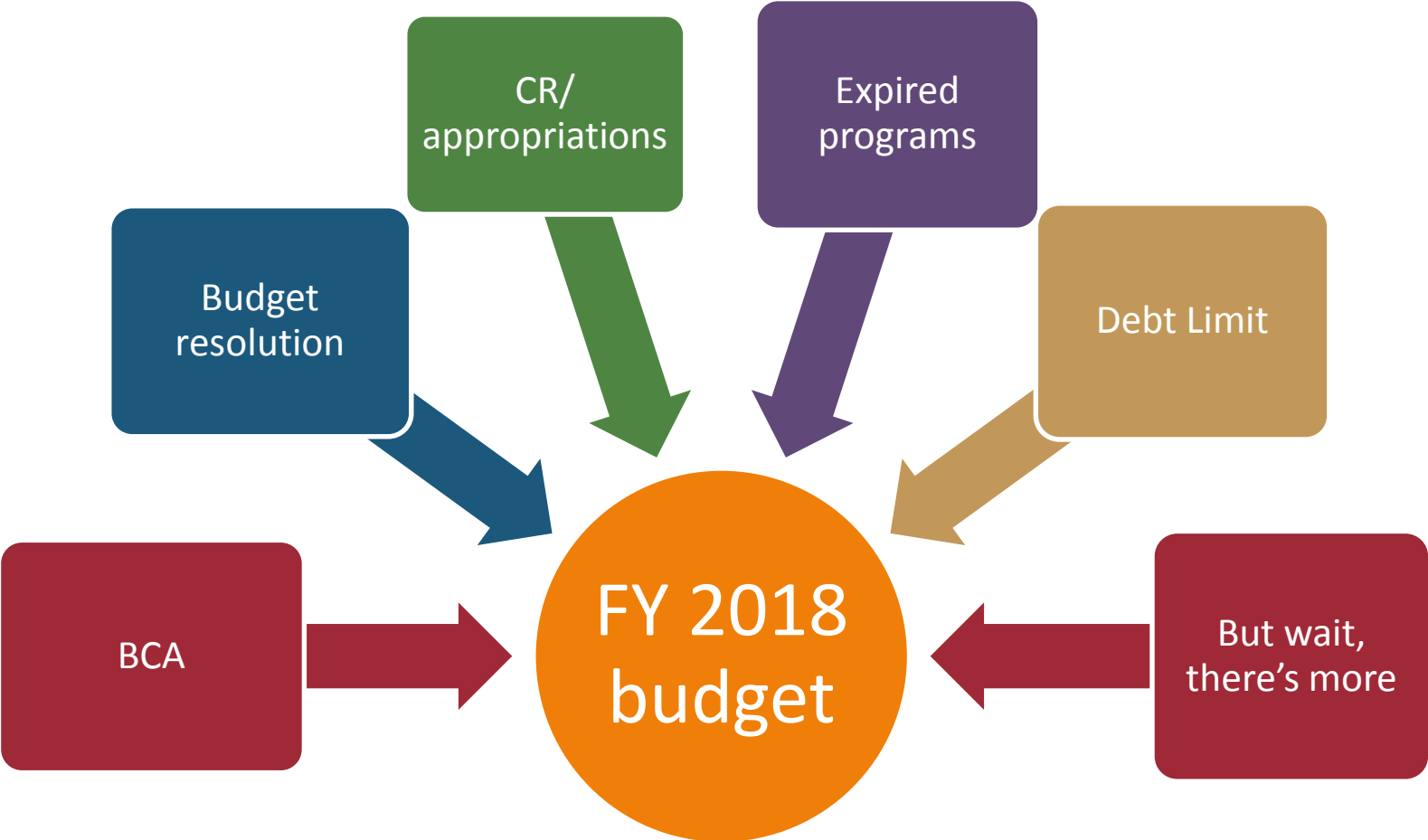
## Omnibus Appropriations

- Passed in May

## Reconciliation (health care)

- To the back burner
- Stabilize markets?

# Plenty in play in FY 2018





# BCA is the law of the land

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Sequestration reduces caps through FY 2021

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Split equally between defense and non-defense

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Spending in excess of caps reduced by ATB cuts

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Congress amended BCA to increase caps in FYs 2014-2017

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Limited mandatory sequestration through FY 2025

# FY 2018 and the BCA



## President

- Eliminate defense sequestration
- Offset by cut to non-defense

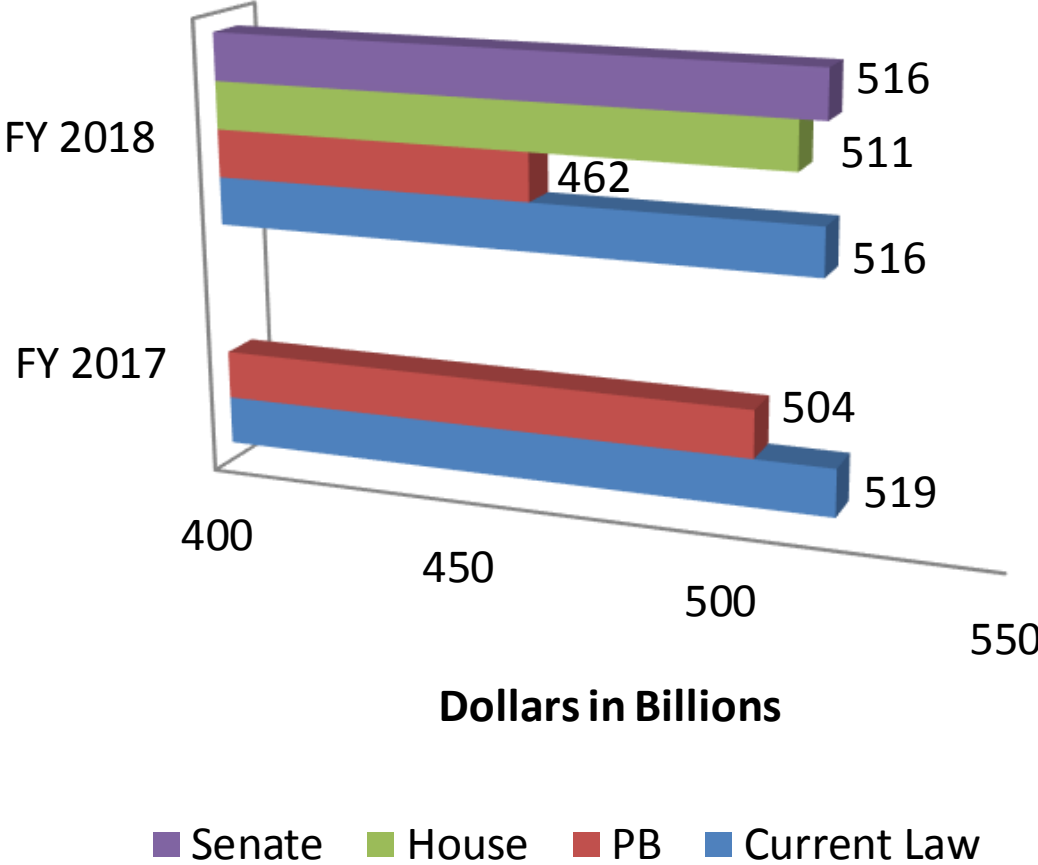
## House Budget Resolution

- Exceed BCA defense cap in FY 2018
- Extend mandatory sequestration until FY 2027
- Increase defense and reduce non-defense after FY 2018

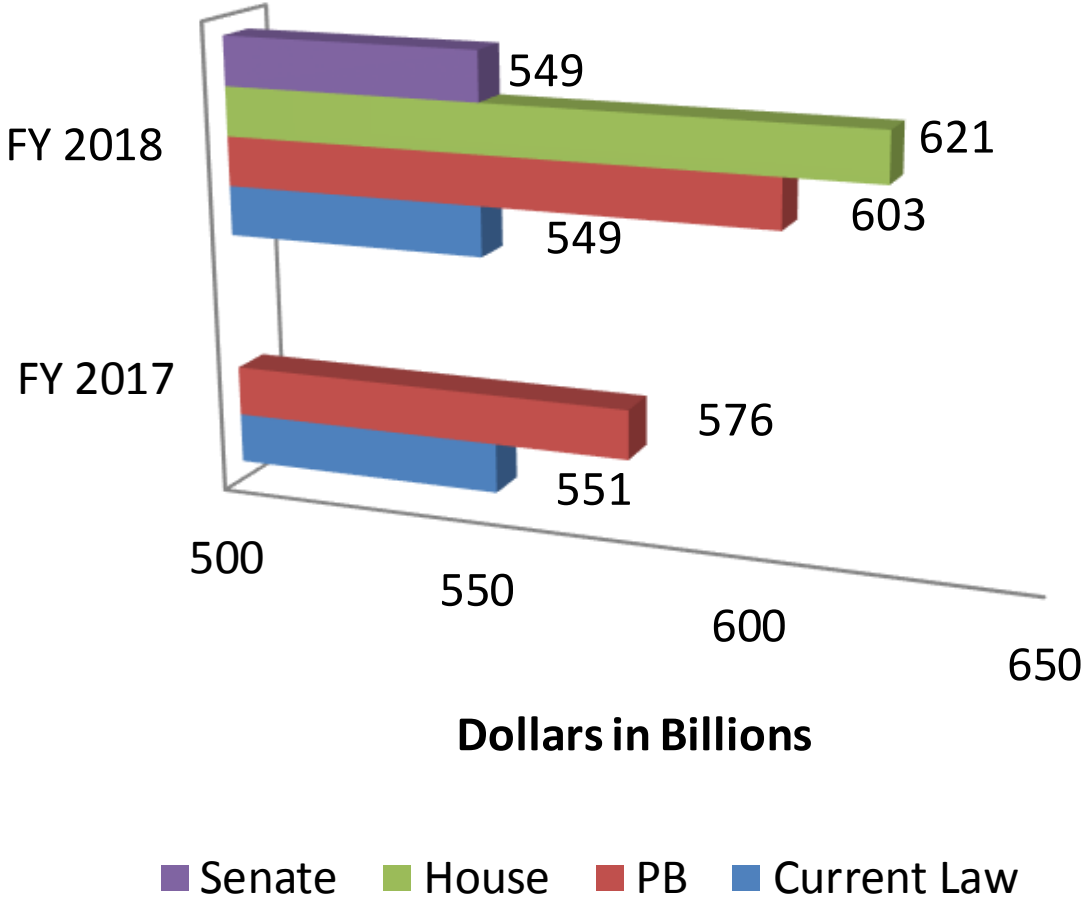
## Senate Budget Resolution

- Retain BCA levels for defense
- Reduce BCA for non-defense after FY 2018

# Non-defense discretionary



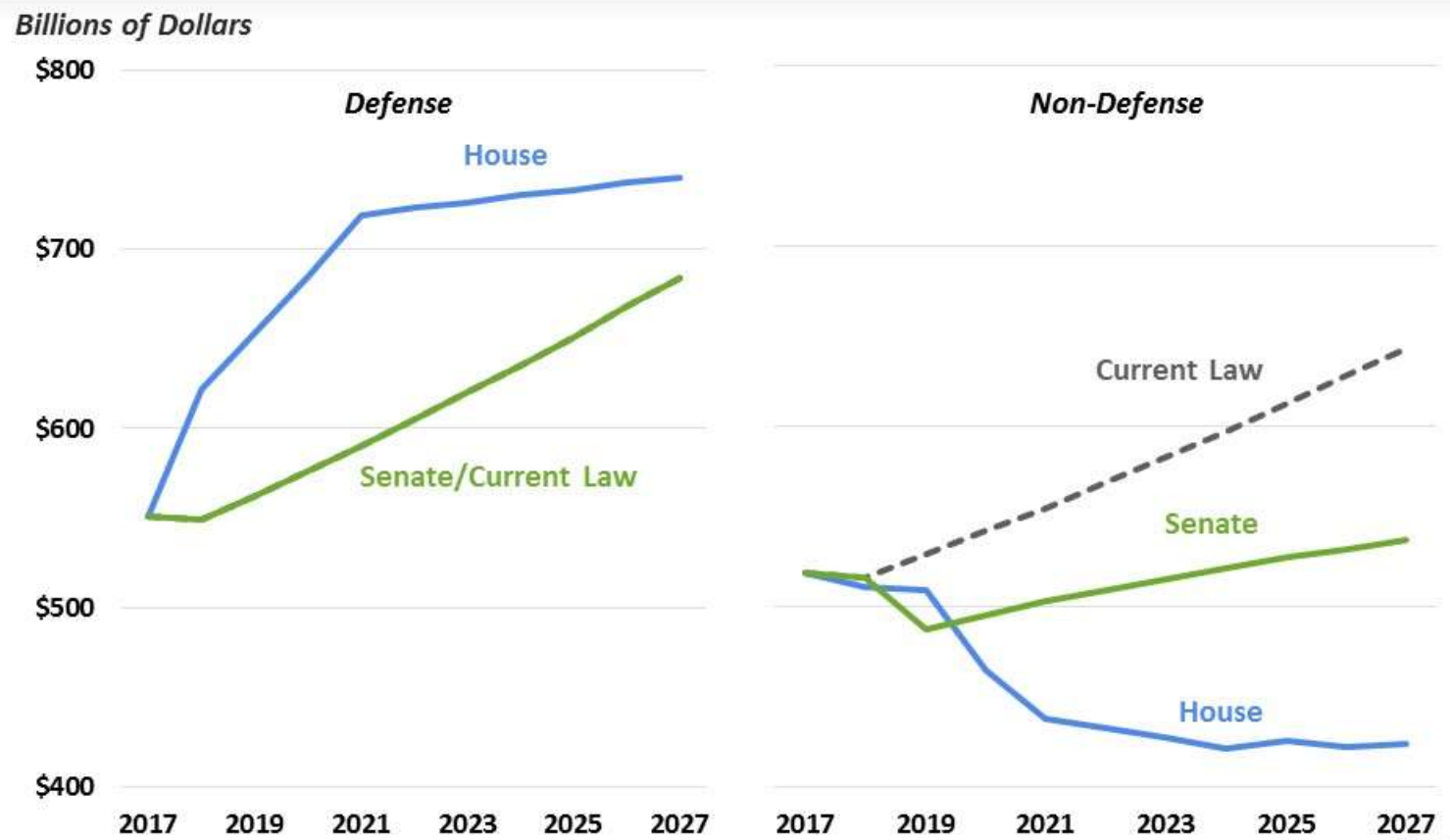
# Defense discretionary



# What CRFB Says



## Discretionary Spending in the Congressional Budgets



Source: Congressional Budget Office, House and Senate Budget Committees.







# FY 2018 and Reconciliation

## House Budget Resolution

- Revenue-neutral tax reform
- -\$203B in mandatory savings/10 years

## Senate Budget Resolution

- \$1.5T/10 years for tax reform
- -\$1B/10 years in savings (Energy/Natural Resources)



# “Big 6” Tax Reform Framework

7 brackets to 3

12%, 25%, 35%

Could add 4<sup>th</sup>  
bracket

Index (to  
chained CPI?)

Nearly double  
standard  
deduction

Eliminate  
personal  
exemption

Eliminate tax  
deductions  
(SALT)

Retain mortgage  
interest, charity  
deductions

Expand child tax  
credit

New credit for  
non-child  
dependents

Silent on capital  
gains, dividends

Eliminate AMT

CIT from 35% to  
20%

Eliminate estate  
tax

TPC:  $-\$2.4T/10$

Increase for 80-  
95 percentile



# House Policy Priorities

Promote  
school choice

Consolidate  
programs

Convert HUD  
programs into  
block grants

Eliminate  
EDA, CDBG,  
SSBG

Make HTF  
sustainable

Eliminate  
TIGER, New  
Starts

ACA repeal  
and replace

SNAP reforms

Work  
requirements



# Senate Policy Priorities

ACA repeal and  
replace

Address opioid  
epidemic

Support foster  
care and child  
care

Support marriage  
and fatherhood  
programs

State flexibility in  
education

Reform child  
nutrition

Infrastructure  
improvements

Secure border

Improve housing  
opportunities,  
reform CDBG

# Appropriations status

House  
combined all  
bills into an  
omnibus that  
passed



Full Senate  
has  
approved  
no bills



No final  
bills  
enacted;  
CR in  
place

# The Continuing Resolution

## Funding



- Expires Dec. 8
- 0.6791% ATB cut (discretionary)
- \$15B for hurricane recovery
- Exceeds BCA caps

## Programs



- Suspends debt limit (Dec. 8)
- Extends flood insurance (Dec. 8)



# Appropriations “watch list”

## Eliminations

- Supported employment (\$28M)
- State Health Insurance Program (\$47M)

## Increases

- Student Support BG (\$400M)
- Charter Schools (\$342M)

## Decreases/ Consolidations

- Choice Neighborhoods (\$140M)
- Employment Services (\$671M)
- Community Services Block Grant (\$715M)
- Refugee Assistance (\$207M)



# FY 2018 expirations

<b>Program</b>	<b>FY 2017 Funding (in millions)</b>
<b>September 30:</b>	
Children's Health Insurance Program	15,952
Community Health Centers (mandatory funding)	3,528
Perkins Loan Program	782
Maternal, Infant, and Early Childhood Home Visiting	372
National Health Service Corps	289
Health Profession Opportunity Grants	79
Personal Responsibility Education Program	70
Abstinence Education	70
Medicare Improvements for Patients and Providers Act	35
<b>December 31:</b>	
Teaching Health Center Graduate Medical Education	56
<b>March 31:</b>	
Airport Improvement Program	3,350
<b>Total</b>	<b>\$24,583</b>



# Expiration details



## CHIP

- House and Senate draft bills:
  - Extend through FY 2022
  - Maintain ACA match through FY 2019
  - Maintain ACA MOE

## Home Visiting

- House passed, Senate draft
- Extend through FY 2022
- New state match?

## Other HHS

- House draft extends through FY 2019
- Offsets include PPHF rescissions

# DSH cuts take effect in FY 2018



## Why?

- ACA included cuts based on assumption of less uncompensated care

## How much?

- Cuts delayed several times
- Current: -\$2 billion, FY 2018; increasing to -\$8 billion, FYs 2024 and 2025
- CMS released proposed methodology

## Delayed again?

- House proposes to eliminate in FY 2018, but extends cuts for two years

# Illustrative reductions using FY 2017 DSH allotments



Less than -10%		Between -10% and -20%		Between -20% and -30%
Tennessee (no reduction)	Oklahoma	Alabama	New Hampshire	Connecticut
Alaska	Oregon	Arizona	New York	District of Columbia
Arkansas	South Dakota	California	North Carolina	Columbia
Delaware	Utah	Colorado	Pennsylvania	Massachusetts
Hawaii	Wisconsin	Florida	South Carolina	Michigan
Idaho	Wyoming	Georgia	Texas	New Jersey
Iowa		Illinois	Virginia	Ohio
Minnesota		Indiana	West Virginia	Rhode Island
Montana		Kansas		Vermont
Nebraska		Kentucky		Washington
Nevada		Louisiana		
New Mexico		Maine		
North Dakota		Maryland		
		Mississippi		
		Missouri		

Source: Centers for Medicare & Medicaid Services (CMS)



# Changes in FY 2019 FMAPs

Increases		Decreases	No Change
Oklahoma	Kentucky	Oregon	Alaska
Kansas	Alabama	Florida	California
Iowa	Pennsylvania	Georgia	Colorado
South Dakota	Vermont	Nevada	Connecticut
Louisiana	Indiana	Hawaii	District of Columbia
Texas	Ohio	Utah	Maryland
Delaware	Maine	North Carolina	Massachusetts
Rhode Island	Montana	Illinois	Minnesota
West Virginia	New Mexico	Arkansas	New Hampshire
Missouri	Tennessee	South Carolina	New Jersey
Mississippi	Nebraska	Michigan	New York
Wisconsin		Arizona	North Dakota
		Idaho	Virginia
			Washington
			Wyoming



# Recapping what's in play

## Budget Control Act

- Requires slight reductions in FY 2018

## Appropriations

- Level funding seems likely

## Reconciliation

- Lessons learned in health care reform?

## Debt Ceiling

- On back burner until Spring 2018

## What are risks to states?



# Questions?

- Check for updates:
  - [www.ffis.org](http://www.ffis.org)
  - [ttomsic@ffis.org](mailto:ttomsic@ffis.org)
  - 202-624-8577