The House is from Mars, the Senate is from Venus
Where we started

A Surplus of Risk

- Shutdown threats
- Funding cuts
- Expiring programs
- Tax reform
- Debt limit
- BCA changes
- ACA Repeal and Replace
- Medicaid caps
- Mandatory reforms
### Where we are now

<table>
<thead>
<tr>
<th>Budget</th>
<th>Structural Reforms</th>
</tr>
</thead>
<tbody>
<tr>
<td>• FY 2018 budget</td>
<td>• Health: done (sort of)</td>
</tr>
<tr>
<td>resolution adopted</td>
<td>• Taxes: front burner</td>
</tr>
<tr>
<td>• No agreement on BCA</td>
<td>• Mandatory reforms: on hold</td>
</tr>
<tr>
<td>• CR until December</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Debt Limit</th>
<th>Expired Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>• In CR</td>
<td>• CHIP</td>
</tr>
<tr>
<td>• Will surface again in</td>
<td>• Other HHS programs</td>
</tr>
<tr>
<td>early 2018</td>
<td></td>
</tr>
</tbody>
</table>
Most risks in three areas

- Social Security $924B, 23%
- Domestic Discretionary $627B, 16%
- Other Mandatory $608B, 15%
- Net Interest $178B, 6%
- Medicare $589B, 15%
- Medicaid $367B, 9%

Includes:
- Federal Retirement
- Unemployment Compensation
- Food and Nutrition Assistance
- Supplemental Security Income

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*
Per capita changes in Maryland FYs 2010-2016

Source: FFIS (programs in grants database)
FY 2016 grants per capita varied widely

Source: FFIS Grants Database
Removing Medicaid levels the playing field for many states

Source: FFIS Grants Database
Beyond grants

Per Capita Federal Spending per Dollar of Taxes, FY 2016

Source: FFIS calculations of data from New York Comptroller
Plenty in play in FY 2018

- Budget resolution
- Expired programs
- Debt Limit

But wait, there’s more
<table>
<thead>
<tr>
<th><strong>BCA is the law of the land</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sequestration reduces caps through FY 2021</strong></td>
</tr>
<tr>
<td><strong>Split equally between defense, non-defense</strong></td>
</tr>
<tr>
<td><strong>Exceeding caps triggers ATB cuts</strong></td>
</tr>
<tr>
<td><strong>Congress increased caps in FYs 2014-2017</strong></td>
</tr>
<tr>
<td><strong>Limited mandatory sequestration through FY 2025</strong></td>
</tr>
</tbody>
</table>
FY 2018 and the BCA

**President**
- Eliminate defense sequestration
- Offset by dollar-for-dollar cut to non-defense

**House Budget Resolution**
- Exceed defense cap in FY 2018
- Increase defense cap and reduce non-defense cap after FY 2018
- Extend mandatory sequestration until FY 2027

**Senate Budget Resolution (adopted)**
- Retain caps for defense
- Reduce caps for non-defense after FY 2018
Non-defense discretionary

<table>
<thead>
<tr>
<th></th>
<th>FY 2017</th>
<th>FY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senate (adopted)</td>
<td>504</td>
<td>516</td>
</tr>
<tr>
<td>House</td>
<td>519</td>
<td>511</td>
</tr>
<tr>
<td>PB</td>
<td>516</td>
<td>462</td>
</tr>
<tr>
<td>Current Law</td>
<td>519</td>
<td>516</td>
</tr>
</tbody>
</table>

Dollars in Billions
Defense discretionary

FY 2018:
- Senate (adopted): 549
- House: 621
- PB: 603
- Current Law: 549

FY 2017:
- Senate (adopted): 551
- House: 576
- PB: 576
- Current Law: 551

Dollars in Billions

Legend:
- Senate (adopted)
- House
- PB
- Current Law
What CRFB says

Discretionary Spending in the Congressional Budgets

Billions of Dollars

Defense

- House

- Senate/Current Law

Non-Defense

- Current Law

- Senate

- House

Source: Congressional Budget Office, House and Senate Budget Committees.
The FY 2018 Budget Resolution

**Funding**

- Abides by BCA in FY 2018; allows for upwards adjustments
- Cuts non-defense discretionary in out years (nonbinding)

**Reconciliation**

- $1.5T/10 years for tax reform
- -$1B/10 years in savings (Arctic drilling)
- Excludes mandatory savings House favored
Tax reform issues in play

- Number of brackets
- Marginal tax rates
- Standard deduction
- Personal exemption
- Deduction for S/L taxes
- Mortgage interest deduction
- Tax credits
- AMT
- Private Activity Bonds
- CIT rate
- Estate tax
Reconciliation “simplified”

- **House Budget Resolution**
- **Concurrent Budget Resolution**
- **Senate Budget Resolution**

**Reconciliation Process**

- **Mandatory and Tax Reforms**
  - House and Senate Authorizing Committees report legislation

- **House and Senate Budget Committees**
  - Package bills and report for floor consideration

- **House and Senate resolve differences**

- **House and Senate approval**

- **President signs or vetoes**
Appropriations status

- House combined all bills into an omnibus that passed
- Full Senate has approved no bills
- No final bills enacted; CR in place
## Appropriations “watch list”

<table>
<thead>
<tr>
<th>Eliminations</th>
<th>Increases/New</th>
<th>Decreases/Consolidations</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Supported employment</td>
<td>• Student Support Block Grant</td>
<td>• Choice Neighborhoods</td>
</tr>
<tr>
<td>• State Health Insurance Program</td>
<td>• Charter Schools</td>
<td>• EDA grants</td>
</tr>
<tr>
<td>• Racial and Ethnic Approach to Community Health</td>
<td>• Section 8</td>
<td>• TIGER Grants, Capital Investment</td>
</tr>
<tr>
<td>• Workforce Data Quality Initiative</td>
<td>• Housing for the Elderly</td>
<td>• WIOA, Employment Services</td>
</tr>
<tr>
<td></td>
<td>• JAG formula grants</td>
<td>• Community Services Block Grant</td>
</tr>
<tr>
<td></td>
<td>• Opioid Prevention Grants</td>
<td>• Refugee Assistance</td>
</tr>
<tr>
<td></td>
<td>• Screening for Treatment for Maternal Depression</td>
<td></td>
</tr>
</tbody>
</table>
FY 2018 funding expirations

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

<table>
<thead>
<tr>
<th>Issue</th>
</tr>
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<tbody>
<tr>
<td>Opioid crisis</td>
</tr>
<tr>
<td>ACA Medicaid DSH cuts</td>
</tr>
<tr>
<td>Prevention and Public Health Fund rescissions</td>
</tr>
<tr>
<td>Stabilize health insurance markets</td>
</tr>
<tr>
<td>SNAP performance bonuses, error rates</td>
</tr>
<tr>
<td>VW settlement ($2.9B/10 years)</td>
</tr>
</tbody>
</table>
Looking ahead

Mandatory reforms

ACA repeal and replace

Infrastructure

Farm Bill

TANF

Opioids
Recapping what’s in play

BCA and Appropriations
• Status quo or FY 2018 higher caps
• Level funding for most programs
• Focus has moved to taxes, so CR?

Reconciliation and Tax Reform
• How big are the differences?

Debt Ceiling
• New deadline January 2018

Funding Extenders
• Offsets, timing

What are risks to states?
Questions?

• Check for updates:
  – www.ffis.org
  – ttomsic@ffis.org
  – 202-624-8577