Navigating the 2018 Federal Budget Landscape

Thursday, October 26 | 2PM EST/11AM PST
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AGENDA

• Overview of Current Federal Budget and the Appropriations Process
• Connecting the Dots between Federal Funding and State Budgets and Policymaking
• Impact of Changes in Federal Funding Priorities on Nonprofits and Communities
• Q & A and Discussion
MEET YOUR SPEAKERS

Stephanie Powers (Moderator)
Sr. Director for Policy and Partnerships
Council on Foundations

Rebecca Theiss
Fiscal Federalism, Government Performance
The Pew Charitable Trust

Lauren O’Brien
Senior Policy Advisor
Akin Gump

David Thompson
Vice President of Public Policy
National Council of Nonprofits
The Federal Budget Process Explained

• Federal agencies begin developing budgets 18 months ahead of the next fiscal year in order to receive funding.

• Agencies must monitor the progress of their requests as they are pushed and pulled through the White House, House of Representatives and Senate.

• The budget has target dates for when an action is to be completed.

• Deadlines are often missed and there is no penalty for missing any.
THREE CATEGORIES OF SPENDING

Mandatory

Discretionary

Interest on the debt
Trump’s top priorities for the FY 2018 budget include reform of healthcare, tax and immigration

The Trump administration’s eight pillars of reform

- **Health reform**
  - Trump’s plan suggests repealing Obamacare and replacing it “with a framework that restores choice and competition”

- **Tax reform**
  - The budget claims to simplify the tax system so individuals and corporations can spend less time filling out taxes

- **Reduction in federal spending**
  - In the budget Trump calls on Congress to “scrutinize every dollar the federal government spends”

- **Immigration reform**
  - The budget proposes reforming immigration “to reduce burdens on taxpayers ... and focus federal funds on underserved and disadvantaged citizens”

- **Regulatory rollback**
  - Trump’s plan calls for aggressive elimination of outdated federal regulation

- **Energy development**
  - The budget puts a focus on developing and cultivating U.S. energy resources to strengthen national security and lower the price of electricity and transportation fuel

- **Welfare reform**
  - Trump’s welfare reform aims to ensure able-bodied adults are not “discouraged from working, which takes away scarce resources from those in real need”

- **Education reform**
  - The education reform suggested in the budget is aimed to ”return decision regarding education back to the state and local levels”

Trump’s request calls for cuts in most departments compared to Obama’s final budget request

Overview of the FY17 and FY18 budget requests

Top three spenders of the federal budget

• Social Security
• National defense
• Medicare
Federal Budget and Appropriations Process

Lauren O’Brien
Akin Gump Strauss Hauer & Feld
Fall Agenda for Congress

**Agenda Items:** FY18 Budget, tax reform, government funding

**Expired/Expiring Programs:**
- SCHIP
- NDAA
- Medicare Extenders
Top GOP Priority: Tax Reform

- Republicans in Congress will spend the next several weeks attempting to pass a tax reform package via reconciliation instructions.
  - Fast-track procedural tool to expedite consideration of certain legislative priorities with an impact on spending or revenue.
Tax Reform Timeline

Expected timeline:

- **House**: Ways & Means to release tax reform legislation Nov 1, with markup and floor passage expected before Thanksgiving

- **Senate**: Possible markup mid-November, setting up floor passage and a conference committee in December

- Goal for final passage is December, but likely to slip into Q1 2018
FY18 Budget & Appropriations

- **Oct 26:** Expected date of House approval of Senate FY18 Budget with tax reform reconciliation instructions

- **Dec 8:** Current government funding via “Continuing Resolution” expires
  - Congress will likely need more time – additional 1-2 week CR is possible
Likely Funding Options

- **Short-term CR**: temporary extension of current funding levels

- **Omnibus**: combined bills to fund through full fiscal year
  - May become a catch-all end-of-year package w/ extension for expiring health programs, fix for Dreamers, and/or deal on budget caps
Complicating Factors

- Focus on tax reform
- Lingering health policy issues
  - ACA stabilization efforts, cost-sharing reduction payments, SCHIP, funding for public health programs
- Negotiations around:
  - Topline budget numbers for FY2018
  - Possible budget cap deal (~$80 bil/2 year deal)
  - Dreamers
  - Border wall funding
House and Senate Appropriations Activity

**House Appropriations:**
- House Appropriations Committee has approved all twelve spending measures for FY18, and the full House passed all measures in two minibus packages.

**Senate Appropriations:**
- Senate Appropriations Committee has approved eight of twelve spending measures. Pending bills include Defense, Financial Services, Homeland Security, and Interior/Environment.
- The full Senate has yet to vote on an appropriations bill.
## Important Players

<table>
<thead>
<tr>
<th>Influential Group</th>
<th>Republicans</th>
<th>Democrats</th>
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<tbody>
<tr>
<td><strong>Congressional Leaders</strong></td>
<td>Speaker Paul Ryan</td>
<td>Leader Nancy Pelosi</td>
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<td>Leader Mitch McConnell</td>
<td>Leader Chuck Schumer</td>
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<td><strong>Appropriations Committee</strong></td>
<td><strong>Chairmen:</strong> Rodney Frelighuysen (H), Thad Cochran (S)</td>
<td><strong>Ranking Members:</strong> Nita Lowey (H), Patrick Leahy (S)</td>
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<td><strong>House Freedom Caucus</strong></td>
<td><strong>Chairman:</strong> Mark Meadows</td>
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<td><strong>House Republican Study Committee</strong></td>
<td><strong>Chairman:</strong> Mark Walker</td>
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Lauren O’Brien
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Connecting the Dots: Federal Funding, State Budgets, and Policymaking

Rebecca Theiss
The Pew Charitable Trusts

Presentation for the Council on Foundations
June 2017
Importance of Federal-State Connection

• Federal spending spread out across the country

• Federal government and the states both deeply involved in nearly every area of policy

• Federal and state tax codes connected
Categories of Federal Spending

Grants
Retirement Benefits
Non-Retirement Benefits
Contracts
Salaries and Wages
Relative Size of Federal Spending Varies Across States
State Examples: Types of Federal Spending Relative to State GDP, FY2015

- New Mexico: 33% Nonretirement, 27% Retirement, 12% Grants, 8% Contracts, 8% Salaries and Wages
- Mississippi: 32% Nonretirement, 26% Retirement, 12% Grants, 9% Contracts, 8% Salaries and Wages
- Alabama: 30% Nonretirement, 25% Retirement, 12% Grants, 9% Contracts, 7% Salaries and Wages
- Virginia: 30% Nonretirement, 25% Retirement, 12% Grants, 9% Contracts, 7% Salaries and Wages
- Wyoming: 14% Nonretirement, 22% Retirement, 12% Grants, 9% Contracts, 6% Salaries and Wages
- North Dakota: 13% Nonretirement, 22% Retirement, 12% Grants, 9% Contracts, 6% Salaries and Wages
- United States: 19% Nonretirement, 20% Retirement, 12% Grants, 9% Contracts, 7% Salaries and Wages
Two Types of Federal-State Spending Linkages

• Direct (e.g. Medicaid and Transportation)

• Indirect (Higher Education)
Federal Grants Account for Nearly One-Third of State Revenue

Share of total by category, state FY 2014

- Federal grants: 31%
- Other: 8%
- Service charges: 11%
- Taxes: 50%
Federal Grants Vary as a Share of State Budgets
Percentage of state revenue from federal funds, state fiscal year 2014
Medicaid Accounts for Nearly Two-Thirds of Federal Grants to States

Distribution by program area, federal fiscal year 2015

- Medicaid: 65%
- Income security: 14%
- Transportation: 8%
- Education: 7%
- Everything else: 3%
- Other health: 4%
Surface Transportation Funding Flows Among Levels of Government

Spending on highways and transit, 2011

- Federal government: $58 billion
  - Own-source revenue: $80 billion
  - State government: $46 billion
    - Intergovernmental transfers: $11 billion
  - Local government: $1 billion
    - Own-source flows: $73 billion
  - Transportation system: $103 billion
    - Direct spending on transportation: $107 billion
Federal and State Spending on Higher Ed

Spending categories by level of government, academic year 2014
State and Federal Tax Connections

• Every state with an income tax links to the federal tax code
• Example: 31 states connect to federal itemized deductions
Current Debates

Health Care
Infrastructure investments
Elimination of grants
Increased defense spending
Tax reform
Impact on Nonprofits and Communities

David L. Thompson
National Council of Nonprofits

Council on Foundations | October 26, 2017
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## Impact on Nonprofits and Communities

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<tr>
<th>Percentage</th>
<th>Amount</th>
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<tbody>
<tr>
<td>30.1%</td>
<td>$4.5 / 66</td>
</tr>
<tr>
<td>32.5%</td>
<td>$1.2 / 16</td>
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Interconnected Budgets

30.1%
Interconnected Budgets

32.5%

Data Sources: The Nonprofit Sector in Brief, National Center for Charitable Statistics, 2015 (2013 data); Giving USA 2014 (2013 data); Foundation Center report (2013). Excludes non-reportable revenue and giving to religious institutions.
Proposed Spending Cuts

President’s FY 2018 Budget proposal

- $4.5 trillion in cuts over 10 years
- $54 billion more for defense
- $54 billion less for non-defense programs (mostly domestic)

Significant Cuts: SNAP, TANF, Student Loans, etc.

Proposed Elimination of Programs

66 Programs
Proposed Program Cuts 66 Programs
Proposed Spending Cuts

FY 2018 Budget Resolution

- Maintains Budget Control Act Limits ("sequestration")
- Tax Reform Reconciliation Instructions
  - $1.5 Trillion in tax cuts
  - Bills due mid-November
- Extra Defense Spending Comes Later
Proposed Spending Cuts

House FY 2018 Spending Plan
- $1.2 trillion in discretionary spending
- Mostly an “it could be worse” spending plan:
  - HHS down $500 million
  - Education down $2.4 billion

Level Funding for Endangered Programs
CNCS, CPB

Fewer Programs to be Eliminated

16 Programs
Behind the Scenes
Impact of Administration Policies
Behind the Scenes
Impact of Administration Policies

Healthcare
• Health Insurance Subsidy
• Open Enrollment

Immigration
• Immigration EOs
• DACA

National Park Service
Roles & Actions

1. Deliver Message:
   - Philanthropy Can’t Fill the Gaps

2. Connect Grantees with Nonprofit State Associations

3. Identify & Share Impact of/on Grantees
   - Mine existing grant results
   - Survey grantees

4. Convene Local Leaders, Nonprofits
Following Up

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Sign up for Nonprofit Advocacy Matters and Nonprofit Knowledge Matters at www.councilofnonprofits.org/connect
Questions?

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THANK YOU!

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