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President's Budget: Remaining Domestic Proposals

by Senate Budget Committee Republican Staff

EDITOR'S NOTE: All Years Are Fiscal Years Unless Otherwise Stated.

This *Budget Bulletin* examines the remaining domestic policy initiatives in the president's 2017 budget not covered in previous issues. Overall, the president's budget proposes to increase mandatory spending, excluding health care, by more than $1 trillion over 10 years, relative to the administration's baseline. Much of this increase results from making discretionary transportation spending mandatory and assuming the enactment of comprehensive immigration reform. Details on specific domestic proposals follow.

Administration of Justice

- Increase Custom User Fees. The president's budget proposal saves $1.1 billion over 10 years by increasing several different types of Customs and Border Patrol (CBP) user fees, including fees paid by air and sea passengers and by cargo carriers and importers for the provision of customs services.
- 21st Century Justice Grants Toward Justice Reform. The proposal increases the deficit by $4.4 billion over 10 years to identify the best means to provide reduced crime and increase trust with law enforcement.

Agriculture

- Revenue Protection Crop Insurance Reform. The president proposes a reduction in premium subsidies for harvest price revenue protection that include additional coverage and changes to prevented planting coverage. This policy would save $18 billion from 2017 to 2026.
- Grain Inspection, Packers, and Stockyards Administration Fee. The president proposes eliminating the obligation limitation on inspection and weighing services fees for the Grain Inspection, Packers, and Stockyards Administration. This policy would raise $300 million from 2017 to 2026.

- Agriculture and Food Research Initiative. The president proposes full funding for the Agriculture and Food Research Initiative, with mandatory dollars focusing on a sustainable increase in agriculture production. This policy would cost $325 million from 2017 to 2026.

Allowances

- Immigration Reform. The budget includes receipt and outlay allowances to reflect the administration's proposal to enact comprehensive immigration reform modeled on S. 744, which passed the Senate in 2013. Over 10 years, outlay effects of $250 billion are offset by revenue increases of $420 billion.

Commerce and Housing Credit

- Enact Scale-Up Manufacturing Investment Initiative. The president's budget calls for $1.3 billion in mandatory spending over the period of 2017-2026 to promote manufacturing. This program also attempts to help manufacturing firms gain access to financing, which has been limited by the administration's errant policies such as Dodd Frank.
- Create National Network for Manufacturing Innovation. The president calls for mandatory spending of $1.9 billion over the 2017-2026 period to develop regional institutes in which private industry, government, and academia meet with the goal of nurturing manufacturing innovation.
- Renovate Lab Facilities at the National Institute of Standards and Technology (NIST). The president requests mandatory spending of $100 million over the 2017-2026 period to fund laboratory renovations at NIST.
- Reauthorize the State Small Business Credit Initiative. The budget includes the reauthorization of the Treasury Department's State Small Business Credit Initiative, increasing spending by $1.5 billion over the 2017-2026 period. The initiative provides funding to state agencies that support lending to small businesses and manufacturing firms.
- Create a Financing America's Infrastructure Renewal (FAIR) Program. The president requests $20 million in mandatory spending over the 2017-2026 period to create a FAIR program. This proposal would provide direct loans to U.S. infrastructure projects developed through public-private partnerships.
- Postal Service Reform. The budget proposes these Postal Service (USPS) reforms: a reduction of USPS FERS liabilities of $1.5 billion and reduced CSRS liabilities of $4 billion, based on the anticipated results of a proposed recalculation of USPS retirement liabilities that considers postal-specific demographic characteristics; a restructuring of postal payments to the Retiree Health Benefits Fund, reducing USPS payments to the

fund by $18.6 billion over the budget window; allowing USPS to move to five-day delivery in 2019 if mail volume continues to decline as projected; permanently extending the exigent stamp rate price increase scheduled to expire early in 2016; and requiring the Postmaster General to propose to the Postal Regulatory Commission a new postal rate pricing structure. This combination of foregone payments to the Treasury, cost-saving efficiencies, and increased postage revenue would save the Postal Service $39 billion over the budget window.

Community and Regional Development

- Tribal Service Contracts. As a result of recent court rulings, the annual appropriations process cannot control costs for tribal contract support services, such as social service provider contracts. In response, the administration proposes reclassifying the spending as mandatory, which will increase deficits by $105 million over 10 years.

Energy

- Enact Nuclear Waste Management Program. The president proposes a program in which the Department of Energy picks up and stores waste from commercial nuclear power-generating facilities. The Office of Management and Budget is recommending a reclassification of the spending to mandatory. This policy would cost $702 million from 2017 to 2026.
- Uranium Enrichment Corporation Fund. The president proposes the fund balance support Uranium Enrichment Decontamination and Decommissioning. This policy would cost $1.6 billion from 2017 to 2026.
- Advanced Research Project Agency – Energy Trust. The president proposes additional research and development funding for energy technology research projects. This policy would cost $1.9 billion from 2017 to 2026.
- Renewable Energy Tax Credits. The president proposes permanent modification and extension of the renewable electricity production tax credit and investment tax credit. This policy would cost $10.4 billion from 2017 to 2026, plus additional revenue effects.
- Carbon Dioxide Investment and Sequestration Credit. The president proposes a new carbon dioxide investment and sequestration credit. This policy would cost $1.1 billion from 2017 to 2026, plus additional revenue effects.

Environment and Natural Resources

- Enact offshore energy revenue reform. The president proposes additional federal revenues from offshore energy production by eliminating the allocations to coastal states. This policy would raise $3.3 billion from 2017 to 2026.
- Coastal Climate Resilience Fund. The president proposes a new Coastal Climate Resilience Fund with dedicated funding from new offshore energy revenues. This policy would cost $1.7 billion from 2017 to 2026.
- Establish Abandoned Mine Lands (AML) Hardrock Reclamation Fund. The president proposes a new reclamation fund for hardrock mining clean-up, similar to the AML coal fund. This policy would cost $1.3 billion from 2017 to 2026.
- AML Reclamation and Economic Revitalization. The president proposes new reclamation and economic revitalization activities from the unappropriated balance of the AML Trust Fund. This policy would cost $1 billion from 2017 to 2026.
- Land and Water Conservation Fund. The president proposes dedicated funding for Land and Water Conservation Fund program, which are currently appropriated annually. This policy would cost $8 billion from 2017 to 2026.
- National Park Service Centennial Initiative. The president proposes mandatory National Park Service funding for the Centennial Initiative. This policy would cost $1.4 billion from 2017 to 2026.

General Government

- Establish an Information Technology Modernization Fund. Spends $2.85 billion to establish a revolving fund at the General Services Administration to transition to new information technology (IT) systems. This policy is intended to modernize federal IT systems, since 71 percent of Federal Civilian IT spending planned for 2017 is dedicated to maintaining legacy systems, instead of upgrading to new ones.
- Reauthorize Secure Rural Schools. The president proposes a five-year reauthorization of Secure Rural Schools and funding to localities with national forests. This policy would cost $570 million from 2017 to 2026.
- Extend Funding for Payments in Lieu of Taxes (PILT). The president proposes one year of funding for PILT, payments to counties for federal land within their boundaries. This policy would cost $480 million from 2017 to 2026.
- Terminate Abandoned Mine Lands (AML) Payments to Certified States. The president proposes eliminating payments to certified states under the AML program. This policy would save $520 million from 2017 to 2026.
- Extend the Palau Compact of Free Association. Extends expired provisions of the Compact, an international agreement between the United States and three Pacific Island

nations, under which the United States provides economic assistance. Costs $149 million over eight years.

- Establish a Pay for Success Incentive Fund. Establishes a federal fund to help state, local, and tribal governments adopt Pay for Success projects, which pay service providers only for specific policy outcomes achieved, and encourage investor financing. The fund, which will encourage projects that result in savings in federal programs, costs $300 million over 10 years.
- Provide America Fast Forward Bonds and Expand Eligible Uses. The president again calls for the creation of America Fast Forward (AFF) Bonds, hearkening back to the Build America Bonds (BAB) program, which was part of the American Recovery and Reinvestment Act and expired in 2010. The AFF bonds would, at a cost of $58.8 billion over 10 years, allow state and municipal governments to issue attractive taxable bonds for capital projects by providing an interest subsidy for the borrower or a tax credit for the lender.
- Allow Eligible Uses of America Fast Forward Bonds to Include Financing All Private Activity Bond Program Categories. This additional proposal would allow AFF bonds to be issued in all the various private activity bond categories, financing the projects of various private users. This is broader than the scope of the old BAB program and would cost an additional $12 billion over 10 years (beyond the $58.8 billion cost of the base AFF bond program).
- Index to Inflation the $750 per Month Threshold Above Which Social Security Benefits Can be Offset to Collect Non-Tax Debts Owed to the Treasury. Under current law, the government can offset up to 15 percent of an individual’s total Social Security benefit to collect non-tax debts, so long as it does not reduce an individual’s benefit below $750 per month. This proposal indexes the $750 minimum to inflation, which would reduce debt collections by $2.2 billion over the next 10 years. Most of the foregone debt collected would be federal student loan debt.

Income Security

- Increase Housing Vouchers for the Homeless ($11.0 billion). Provides vouchers and other assistance to low-income households in order to obtain or retain housing.
- Create Wage Insurance Program ($11.1 billion). Provides up to $10,000 over two years for certain workers who become reemployed at a lower-paying job.
- Establish Summer Child Meal Program ($12.2 billion). Provides electronic benefits transfer card (EBT) during the summer months for families with children eligible for free and reduced price school meals.
- Expand and Modernize Unemployment Insurance ($56.6 billion). Requires coverage for those seeking part-time jobs and those who leave a job due to domestic violence or

family illness, requires a minimum 26 weeks of benefits, and provides partial benefits for work-sharing to avoid layoffs.

- Expand EITC for childless workers ($58.1 billion). Doubles the amount of the earned income tax credit (EITC) for childless workers and expands eligibility for ages 21 to 24 and 65 to 66.
- Establish Energy Assistance Fund ($65.4 billion). Provides 15 percent of gross oil fee revenues to assist families with high energy costs.
- Expanded Access to Child Care ($78.3 billion). Provides subsidies for low- and moderate-income working families to purchase child care, and provides training and compensation for child care workers
- Increase Pension Benefit Guaranty Corporation (PBGC) Premiums (-$15 billion). Provides the board of the PBGC discretion to adjust required pension premiums, which would result in an increase in $15 billion in premium revenue over the budget window from the multiemployer program – an amount the budget claims would "nearly eliminate the risk of the multiemployer program becoming insolvent over the next 20 years."

Job Training, Employment, and Social Services

- Establish an "American Talent" Compact. Provides $3 billion in competitive funding over a multi-year period to create "Talent Hotspots" across the United States. These hotspots would consist of employers and training programs that prioritize a particular sector and commit to recruiting and training skilled workers within it.
- Create a "Career Navigators" Program. Provides $2 billion to the states over a multi-year period for career navigators, who will proactively reach out to workers "most at risk of not being able to reset their careers after spells of joblessness," matching them to training programs and support services.
- Create "Opening Doors for Youth" Program. Adds $3.5 billion over 10 years to create new partnerships with companies and communities to get young people summer jobs and first jobs, with the funds, which can cover up to half the cost of an individual's wages, distributed to the states through the Workforce Innovation and Opportunity Act youth formula program. Another $2 billion would help high school drop-outs, and those at risk of dropping out, secure a diploma.
- Create an Apprenticeship Training Fund. A new $2 billion over 10 years to create a fund to provide grants to states and regions with the goal of doubling the number of apprentices in America.
- Expand Foreign Labor Certification Fees. The Labor Department would be allowed to charge fees for new applications filed under the Permanent and H-2B Foreign Labor Certification programs and to retain fees for certified applications filed under the H-2A temporary labor certification program, with authority to modify the fee to cover full

program costs. This raises $871 million over 10 years (function 800), which would, as an offsetting collection, be spent on program administration (function 500).

Science and Technology

- DOE, NASA and NSF Research and Development Increases. The Department of Energy, NASA, and the National Science Foundation receive additional mandatory R&D funding, which would increase spending by $1.1 billion over 10 years.

Social Security

- Improve Collection of Pension Data ($7.8 billion). Improves the collection of pension data from state and local governments in order to improve compliance with the windfall elimination (WEP) and government pension offset (GPO) provisions of Social Security.

Transportation

- Implement 21st Century Clean Transportation Plan. This new initiative provides $385 billion in new resources ($247 billion mandatory, across several functions) for spending on highways, transit, and high-speed rail, while incentivizing the reduction of carbon emissions and the development of energy-efficient and autonomous vehicles. In addition to the new resources, the plan includes $110 billion in funding to address the highway trust fund's solvency gap over 10 years, bringing total initiative costs to $495 billion. The president's proposal would be funded by a $10.25/barrel tax on oil ($319 billion) and revenue attributed to business tax reform ($176 billion).
- Increase Aviation Passenger Security Fee. Beginning in 2018, the president's budget increases aviation passenger security fees, which are currently set at $5.60 per one-way trip. This proposal raises $5.4 billion in fees over 10 years.

Undistributed Offsetting Receipts

- Spectrum Auction. The budget proposes to allow the Federal Communications Commission to auction spectrum. This policy would decrease the deficit by $4.8 billion over the 2017-2026 period.
- Federal Oil and Gas Management Reform. The president proposes additional federal revenues from oil and gas production through royalty rate reform, lease term restrictions, and changes to the revenue valuation and collection process. These policies would raise $1.2 billion from 2017 to 2026.

- Military Benefits Receipt Effects. The president's budget includes reforms to military retirement and TRICARE. These proposals, on-net, reduce payments into the Military Retirement Fund and Medicare-Eligible Retiree Health Care Fund by $2.2 billion over 10 years.

Veterans Benefits and Services

- Ends the Montgomery GI Bill Active Duty Program (MGIB-AD). The president's proposal increases the deficit by $167 million over 10 years by ending the Montgomery GI Bill Active Duty program—sometimes known as Chapter 30—that provides education benefits to veterans at least 35 years of age but not more than 60 years of age, who are unemployed, received an honorable discharge and have no eligibility remaining for other education benefits. If a service department pays less than 100 percent, a service member eligible for MGIB-AD can elect to receive Department of Veterans Affairs (VA) benefits for all or a portion of the remaining expenses.
- Additional Selected Reserve GI Bill Eligibility. The proposal opens GI Bill eligibility even further for Selected Reserve that were ordered to active duty for preplanned missions in support of the combatant commands (section 12304b of title 10), thereby increasing the deficit by $340 million over 10 years.
- Cap Post-9/11 GI Benefits for Flight Training. The proposal saves $535 million over 10 years by capping Post-9/11 GI benefits for flight training. The intent would be to modify the current law that essentially permits virtually unlimited VA funding of courses taken at public colleges or their affiliates, including flight-training fees.
- Extend the Round-Down of Cost-of-Living Adjustments (Compensation). The president again proposes to round-down the computation of the cost-of-living adjustment (COLA) for service-connected compensation and dependency and indemnity compensation (DIC) saving $2 billion over 10 years.
- Clarify Evidentiary Threshold at Which VA is Required to Provide Medical Examination. The proposal saves $1.4 billion over 10 years by amending 38 U.S.C. § 5103A(d) to clarify the evidentiary threshold for which VA, under its duty to assist obligation, is required to request a medical examination for compensation claims. This policy would require, prior to providing a medical exam, the existence of objective evidence establishing that the veteran experienced an event, injury, or disease during military service.