BUDGET BULLETIN
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CHAIRMAN MIKE ENZI | @BUDGETBULLETIN

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President's Budget: Budget Process Proposals

by Senate Budget Committee Republican Staff

<u>EDITOR'S NOTE</u>: All years are fiscal years unless otherwise stated.

In addition to funding for federal programs, the president's budget includes proposals to replace a portion of the future spending reductions imposed by the Joint Select Committee on Deficit Reduction (Joint Committee) sequester and make changes to the budgetary treatment of certain programs. Specifically, the president's budget proposes to:

<u>Replace a Portion of the Sequester.</u> Current-law defense and non-defense discretionary spending caps will be reduced by $359 billion over the four-year period of 2018-2021 due to the failure of the 2011 Joint Committee to find $1.2 trillion in savings over 10 years. The president's budget proposes to restore approximately three-fifths of the cap reduction ($227 billion) through a combination of spending cuts and tax increases.

<u>Fully Fund and Extend Existing Program Integrity Caps.</u> The Balanced Budget and Emergency Deficit Control Act (BBEDCA), as amended by the Budget Control Act, authorizes increases in the discretionary spending caps for 2012-2021 for amounts appropriated for Social Security continuing disability reviews and redeterminations (CDRs), and health care program fraud and abuse. The Social Security Administration estimates that one dollar spent on CDRs in 2017 will yield $8 in net mandatory savings over the next 10 years (a decrease from $9 in the president's 2016 budget). The maximum cap adjustment is limited to the levels in the BBEDCA provided that Congress <u>first</u> provides a base level of funding ($273 million for CDRs and $311 million for health care fraud and abuse). Although both caps adjustments were fully funded in 2015 (base plus cap adjustment), the 2016 omnibus spending bill did not provide full funding for the two cap adjustments. The president's 2017 budget seeks full funding for CDRs and health care fraud and abuse control through 2026.

<u>Extend the Discretionary Cap Adjustment for Disaster Relief.</u> BBEDCA, as amended, provides for an upward adjustment to discretionary spending caps for appropriations that Congress designates for disaster relief pursuant to section 102(2) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act. Under current law, the cap adjustment is not available after 2021 because there are no discretionary caps in BBEDCA after 2021. Although the president's budget does not explicitly extend the discretionary caps in BBEDCA, it can be inferred from the president's data tables (see Tables S-8 and S-10) that the disaster caps are extended to 2026. This is also consistent with the president's disaster cap proposal in last year's budget.

Create a New Discretionary Cap Adjustment for Wildland Fire Suppression. The president's budget would create a new category of discretionary spending for wildland fire suppression that is independent of the fiscal controls imposed by the spending caps in BBEDCA. The Interior and Agriculture departments could tap an extra $1.2-$1.4 billion per fiscal year when the cost of firefighting exceeds their annual budgets for a total of $12.6 billion in additional wildfire spending over 2017-2026. The president's budget proposes to reduce the general disaster cap in a given fiscal year for the amount of funds provided under the wildfire suppression cap in the prior year.

Create a New Discretionary Cap Adjustment for the 2020 Census: To fund the 2020 census, the administration expects to receive $3.6 billion in regular appropriations through 2021. These appropriations are subject to the overall non-defense discretionary caps for the relevant fiscal years. The president would like additional funding for the census, but instead of requesting more money for the budget year, his budget calls for a series of future discretionary cap increases, beginning in 2018 and ending in 2021, totaling an additional $8.3 billion. If Congress agreed to the cap adjustment and increased appropriations to meet the president's full request for census funding, this action would result in $11.9 billion of total funding for the 2020 census.

New Program Integrity Cap Adjustments. The president proposes to rebrand up to $2.5 billion in new 2017 spending as "program integrity adjustments," which would permit increased spending above the discretionary spending caps. Program integrity cap adjustments are provided for the Internal Revenue Service to reduce the tax gap; for the Department of Labor to reduce improper unemployment insurance payments; for the Department of Health and Human Services to reduce Medicare and Medicaid fraud and waste; for the Treasury Department to improve the collection of bad debts; and more. Overall, these new program integrity cap adjustments would permit $36.7 billion in discretionary spending above the caps over the 10-year period of 2017-2026.

Reclassify Transportation Infrastructure Funding. Surface transportation spending financed by the Highway Trust Fund is a unique and confusing hybrid of classifications. Contract authority is considered mandatory spending, whereas outlays are classified as discretionary spending. The president proposes to treat both contract authority and outlays as mandatory spending.

Reclassify Certain Bureau of Indian Affairs Spending. The president's budget in 2018 would reclassify as mandatory spending and expand funding for the Contract Support Costs account (CSC) in the Bureau of Indian Affairs and the Indian Health Service. CSC provides federal payments to tribes that contract out the administrative costs of executing tribal self-determination contracts and compacts for a tribe's common services, like insurance and audits, and program-specific costs, such as unemployment taxes and workers compensation insurance.

Renew Request for Expedited Procedures to Consider Certain Rescission Requests. The president's budget renews his 2010 legislative proposal for expedited rescissions. Under existing law, a president can send to Congress a request to rescind items in spending bills after a bill is signed into law, but if Congress does not approve the request within 45 working days, the funds must be released (in other words, Congress does not have to vote). Under his 2010 proposed legislation, the president would have 45 working days after signing a spending bill into law to submit to Congress items to rescind and Congress would have 25 days to react. The House and Senate would be required to vote the package up or down, without amendments.

Establish Unified PAYGO Scoring for Postal Service (USPS). In a departure from current scoring practice for estimating the budgetary effects of pending legislation, the administration again proposes that its postal reform package be scored on a unified budget basis – including both the on- and off-budget costs attributable to any postal reform legislation – to emphasize the savings it would produce for the financially troubled Postal Service. The proposed reform package would have significant on-budget costs, however, because it reduces scheduled payments USPS is currently required to make to the Treasury to fund the pension and retiree health care costs of postal workers. Significantly, the administration does not propose to put the Postal Service permanently on-budget; instead, it selectively requests that postal reform legislation be scored permanently on a unified budget basis for PAYGO enforcement purposes.