



# BUDGET BULLETIN

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CHAIRMAN MIKE ENZI | @BUDGETBULLETIN

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## President's Budget: Mandatory Spending Proposals

by Senate Budget Committee Republican Staff

**EDITOR'S NOTE:** All years are fiscal years unless otherwise stated. This *Budget Bulletin* is written as a statement of fact based on information provided by the Office of Management and Budget. This summary reflects the President's proposals.

### Overview

President Donald Trump's 2018 budget proposal, submitted to Congress on May 23, proposes \$2.9 trillion in mandatory savings over 10 years, partially offset by \$0.4 trillion in additional spending, with \$2.5 trillion in net savings. Major new spending initiatives include \$200 billion for infrastructure improvements, \$29 billion for the Veterans Choice Program, and \$27 billion for paid parental leave benefits. Savings include \$1,250 billion from the repeal of Obamacare, \$610 billion from Medicaid, \$191 billion from the Supplemental Nutrition Assistance Program, and \$139 billion from reducing improper payments.

Mandatory Proposals in the President's 2018 Budget (Trillions of Dollars)	
	2018-2027
Savings	-\$2.9
Spending	+\$0.4
Net Savings	-\$2.5

The following sections summarize the major mandatory proposals in the President's budget request with a cumulative fiscal impact greater than \$1 billion over the 2018-2027 period:

### Energy

- **Reduce Strategic Petroleum Reserve:** This proposal would reduce the size of the Strategic Petroleum Reserve by half, increasing receipts by \$16.6 billion over 10 years.
- **Restart the Nuclear Waste Fund Fee:** This proposal would restart the collection of the Nuclear Waste Fund fees from entities in the nuclear power industry, increasing receipts by \$3.1 billion over 10 years.

- Repeal WAPA's Borrowing Authority: This proposal would eliminate borrowing authority for the Western Area Power Administration (WAPA), reducing outlays by \$4.4 billion over 10 years.
- Divest Regional Power Administration Assets: This proposal would divest transmission assets from the Southwestern Power Administration, WAPA, and the Bonneville Power Administration, increasing receipts by \$5.5 billion over 10 years.
- Eliminate Interest Accrual for Future Rural Utility Service Borrowers: This proposal would eliminate interest accrual on future deposits in the Rural Utilities Service borrowers' credit accounts, reducing outlays by \$1.4 billion over 10 years.

### **Natural Resources and Environment**

- ANWR Oil and Gas Leases: This proposal would lease rights to oil and gas development on federal lands in the Arctic National Wildlife Reserve (ANWR) in northeastern Alaska, increasing receipts by \$1.8 billion over 10 years.
- Repeal GOMESA State Payments: This proposal would repeal payments to states associated with offshore energy development in the Outer Continental Shelf authorized under Gulf of Mexico Energy Security Act (GOMESA), reducing outlays by \$3.6 billion over 10 years.
- Streamline Conservation Programs: This proposal would streamline multiple conservation programs, reducing outlays by \$5.8 billion over 10 years.

### **Agriculture**

- Limit Crop Insurance Subsidies and Limit Eligibility: This proposal would eliminate crop insurance premium subsidies for producers earning over \$500,000 per year and limit the value of the subsidy to \$40,000 per year, reducing outlays by \$16.6 billion over 10 years.
- Eliminate Harvest Price Option: This proposal would eliminate harvest price options for crop insurance, reducing outlays by \$11.9 billion over 10 years.
- Establish Food Safety and Inspection Service (FSIS), Animal Plant and Health Inspection Service (APHIS), and Grain Inspection, Packers, and Stockyards Administration (GIPSA) Fees: This proposal would establish a fee to cover the cost of regulating, licensing, and inspecting agricultural and veterinary products for agricultural producers subject to the FSIS, APHIS, and GIPSA, increasing receipts by \$6.4 billion over 10 years.
- Eliminate Small Programs: This proposal would eliminate a number of small agricultural programs, reducing outlays by \$3.3 billion over 10 years.

## Commerce and Housing Credit

- Reform U.S. Postal Service: This proposal would allow five-day mail delivery, increase postal rate flexibility, improve financial management, and increase employee retirement, life, and health insurance contributions, reducing the deficit by \$46.0 billion over 10 years.
- Restructure Consumer Financial Protection Bureau (CFPB): This proposal would restructure the CFPB and convert administrative expenses from mandatory to discretionary spending, reducing outlays by \$6.8 billion over 10 years.
- Reform Financial Regulations: This proposal would reform the Dodd-Frank Act, resulting in deficit reduction of \$35 billion over 10 years.
- Impose Spectrum License User Fee: This proposal would impose a spectrum license user fee, increasing receipts \$4.0 billion over 10 years.
- Spectrum Auctions below 6 gigahertz: This proposal would auction off 30 MHz of spectrum below 6 GHz, increasing receipts by \$6.6 billion over 10 years.

## Transportation

- Conform Highway Trust Fund (HTF) Outlays with Revenues: This policy would reduce HTF contract authority beginning in 2021 when the FAST Act expires in order to match HTF receipts, reducing outlays by \$95.3 billion over 10 years.
- Implement \$1 Trillion Infrastructure Initiative: This proposal would encourage non-federal funding for surface transportation, airports, waterways, ports, drinking and waste water, broadband, and federal facilities through administrative and regulatory relief, increasing outlays by \$200 billion over 10 years.
- Reform Air Traffic Control: This proposal would shift the FAA's air traffic control function to an independent, non-governmental organization beginning in 2021 reducing aviation excise taxes by \$115.6 billion and reducing outlays by \$70 billion from a discretionary cap adjustment, resulting in a net cost of \$45.6 billion over 10 years.

## Community and Regional Development

- Restructure National Flood Insurance Program: This proposal would increase premiums and surcharges to better reflect the cost of living in a floodplain, increasing receipts by \$8.9 billion over 10 years.

## Education, Training, and Employment

- Reform Student Loan: This proposal would create a single income-driven student loan repayment (IDR) plan, eliminate Public Service Loan Forgiveness and subsidized student loans, and convert year-round Pell Grants from mandatory to discretionary spending, reducing the deficit by \$143 billion over 10 years.

- Eliminate Social Services Block Grant (SSBG): This proposal would eliminate the SSBG, reducing outlays by \$16.7 billion over 10 years.

## Health Care

- Modify Tricare Pharmacy Benefits: This proposal would increase pharmacy co-pays for Medicare-eligible military retirees, increasing receipts by \$3.9 billion over 10 years.
- Repeal and Replace Obamacare: The President's budget assumes \$250 billion in deficit reduction over 10 years to accommodate legislation to repeal and replace Obamacare, as well as proposes repealing the Independent Payment Advisory Board and rescinding associated unobligated balances, increasing outlays by \$7.6 billion over 10 years.
- Reform Medicaid: This proposal would provide better financial incentives, facilitate more innovation through state flexibility, and prioritize resources for the most vulnerable, giving states the choice between a per capita or block grant funding arrangement, reducing outlays by \$610 billion over 10 years.
- Extend State Children's Health Insurance Program (CHIP): This proposal would reauthorize CHIP through 2019 and eliminate the enhanced federal match rate while increasing state flexibility by removing maintenance of effort requirements, reducing the deficit by \$5.8 billion over 10 years.
- Extend Medicare Access and CHIP Reauthorization Act (MACRA): This proposal would extend certain MACRA programs through 2019, including mandatory funding for Health Centers, the National Health Service Corps, and the Special Diabetes Program for the National Institutes of Health and the Indian Health Service, increasing outlays by \$10 billion over 10 years.
- Reform the Medical Liability System: This proposal would cap non-economic damages, provide safe harbors for providers that follow clinical standards, and support a reasonable statute of limitations, among other reforms, reducing the deficit by \$55 billion over 10 years.

## Income Security

- Stabilize Pension Benefit Guaranty Corporation: This proposal would create a new variable rate premium for the multiemployer program, based on the level of underfunding, and accelerate scheduled premium payments, increasing receipts by \$23.0 billion over 10 years.
- Reform Federal Employee Retirement System (FERS): This proposal would require federal employees to contribute 50 percent of the normal cost of their retirement benefits, eliminate the FERS supplement, replace High-3 with High-5, and eliminate cost-of-living increases (COLAs) for FERS and reduce COLAs for the Civil Service Retirement System by 0.5 percent, reducing the deficit by \$148.9 billion over 10 years.

- Provide Paid Parental Leave Benefits: This proposal would provide up to six weeks paid leave to mothers, fathers, and adoptive parents, increasing outlays by \$26.6 billion over 10 years.
- Improve Unemployment Insurance (UI) Program Integrity: This proposal would increase Federal Unemployment Tax Act taxes to achieve minimum solvency standards for State UI trust funds, improve information sharing and data matching, reducing the deficit by \$12.9 billion over 10 years due to higher revenue.
- Increase Funds for Reemployment Services and Eligibility Assessments: This proposal would increase funding for skills assessments, career counseling, job matching, and referrals for UI claimants most likely to exhaust their benefits, increasing the deficit by \$2.7 billion over 10 years, excluding potential offsetting non-pay-as-you-go (non-PAYGO) savings.
- Reform Supplemental Nutrition Assistance Program (SNAP): This proposal would target SNAP benefits to low-income families, encourage able-bodied adults without children to work, and require states to provide matching funds, reducing outlays by \$190.9 billion over 10 years.
- SNAP Retailer Application Fee: This proposal would impose an application fee on retailers seeking authorization to accept and redeem SNAP benefits, increasing receipts by \$2.4 billion over 10 years.
- Strengthen Child Support Enforcement: This proposal would require additional data matching and reporting and modernize state information and technology systems, reducing the deficit by \$1.5 billion over 10 years.
- Eliminate Temporary Assistance to Needy Families (TANF) Contingency Fund: This proposal would eliminate the TANF contingency fund, which was intended to provide counter-cyclical funding to the states, reducing outlays by \$6.0 billion over 10 years.
- Reduce TANF block grant: This proposal would reduce the TANF block grant by 10 percent, which represents the use of state funds that do not directly serve the core intent of the program, reducing outlays by \$15.6 billion over 10 years.
- Require Social Security Number (SSN) for Child Tax Credit and EITC: This proposal would require taxpayers to provide a valid work-authorized SSN to claim the child tax credit or earned income tax credit (EITC), reducing the deficit by \$28.0 billion over 10 years.
- Create Sliding Scale for Multi-Recipient Supplemental Security Income (SSI) Families: This proposal would create a sliding scale for monthly benefits based on number of eligible children, reducing outlays by \$9.0 billion over 10 years.

## **Social Security Disability**

- Reduce 12 Months of Retroactive Disability Benefits to 6 Months: This proposal would reduce the period of eligibility prior to the date of application for benefits from 12 to 6 months, reducing outlays by \$9.9 billion over 10 years.
- Eliminate Double-Dipping between Disability and Unemployment: This proposal would reduce disability benefits by the amount of any unemployment benefits received in the same month, reducing outlays by \$2.5 billion over 10 years.
- Reinstate Disability Reconsideration Reviews in 10 States: This proposal would end a 10-state demonstration project, which began in 1999, and restore state-level reconsideration of denied disability applications, reducing outlays by \$2.1 billion over 10 years.

## **Administration of Justice**

- Extend Expiring Customs and Border Protection (CBP) fees: This proposal would extend the fees set to expire at the end of 2025, increasing receipts by \$8.1 billion over 10 years.

## **Veterans**

- Continue the Veterans Choice Program: This proposal would continue the Veterans Choice Program, increasing outlays by \$28.8 billion over 10 years.
- Extend Round-Down of COLAs: This proposal would reestablish the practice of rounding-down to the nearest dollar the annual COLA for service-connected compensation, dependency and indemnity compensation, and certain veterans education programs, reducing outlays by \$2.7 billion over 10 years.
- Reform Unemployment Benefits: This proposal would eliminate supplemental Individual Unemployability benefits when veterans become eligible for Social Security retirement benefits, reducing outlays by \$40.8 billion over 10 years.

## **Government-Wide**

- Reduce Improper Payments: This proposal assumes government-wide savings from reducing improper payments by \$139.2 billion over 10 years.
- Reform Disability Programs: This proposal would test new approaches to increasing the employment of disabled workers, reducing outlays by \$48.8 billion over 10 years.