Federal Budget Update:
A Riddle, Wrapped in a Mystery

Federal Funds Information for States
www.ffis.org

NASBO Spring Meeting
April 4, 2019
# Past, Present, Future

## How did we get here?
- BBA
- FY 2019 so far

## FY 2020 Budget
- BCA
- President
- House v. Senate
- Debt limit

## Notable events
- FY 2019
- FY 2020

## Cats and dogs
- CHIP dip
- FY 2021 FMAP
- Census
- Disaster assistance
But first, the basics

Federal Outlays in FY 2018
($ in billions)

- Defense: $623
- Domestic Discretionary: $639
- Medicare: $582
- Medicaid: $389
- Net Interest: $325
- Social Security: $982
- Other Mandatory: $569

Other mandatory includes:
- Federal retirement
- UI
- Nutrition
- TANF
- SSI
- EITC

Source: FY 2020 budget, Table S-3
BBA 2018 had broad reach

- Raised discretionary caps
- “Side agreement” funding
- Extended mandatory sequestration
- Disaster relief
- **Suspended debt limit**
- Extended/authorized/reformed HHS programs
- Created budget reform committee
Mandatory sequestration

- Through FY 2027
- ATB cuts (-6.2% FY 2019, -5.9% FY 2020)
- Most programs exempt (or receive sequestered funds in following year)
- Covered programs include:

- Social Services Block Grant
- Promoting Safe and Stable Families
- Prevention and Public Health Fund
- Vocational Rehabilitation
- Portion of highway funding
- Housing Trust Fund
- Abandoned Mines
BBA facilitated big increases

Change in Discretionary Appropriations for Major Grants, FY 2017 to FY 2019

- Energy and EPA: 25%
- HHS: 18%
- HUD: 12%
- Commerce: 12%
- DOT: 11%
- Total Discretionary: 11%
- ED: 6%
- Justice: 5%
- Homeland Security: 2%
- Labor: -2%
- USDA: -4%

Source: FFIS's Jim Martin Table
FY 2019 at the mid-point

- DOD + Labor/HHS/ED passed in September
- FY began October 1; CR after CR
- Farm bill in December
- 35-day partial shutdown (December/January)
- Final appropriations in February
- TANF+ extended through June 2019
- Debt limit reinstated in March
Back to the BCA?

![Bar graph showing Current-Law and Proposed Discretionary Spending for FY 2019 Final, FY 2020 BCA, and FY 2020 President.]

- **FY 2019 Final**:
  - Defense Current Law: $647
  - Non-Defense Current Law: $597
  - Defense Adjustments: $69
  - Non-Defense Adjustments: $23

- **FY 2020 BCA**:
  - Defense Current Law: $576
  - Non-Defense Current Law: $543

- **FY 2020 President**:
  - Defense Current Law: $576
  - Non-Defense Current Law: $543
  - Defense Adjustments: $174
  - Non-Defense Adjustments: $24

*Source: FY 2020 Budget, Table S-7*
The president’s priorities

![Bar chart showing percent change in proposed FY 2020 discretionary spending.](chart)

* FY 2019 figures do not reflect final appropriations for some agencies.

* Source: FY 2020 Budget, Table S-8
<table>
<thead>
<tr>
<th>The House &amp; Senate: FY 2020</th>
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<tbody>
<tr>
<td><strong>House will forego budget resolution</strong></td>
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<td>Appropriate at FY 2019 levels?</td>
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<td>Priority: defense/non-defense parity</td>
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<td><strong>Senate attempting budget resolution</strong></td>
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<td>BCA without “OCO” additions</td>
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<td>Can it win floor approval?</td>
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<td>Subsumed by a new BBA?</td>
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2019 program expirations

- **TANF+ (6/30/19)**
  - Mandatory
  - $20+ billion
  - Requires extension or reauthorization

- **Secure Rural Schools (9/30/18)**
  - Mandatory
  - $252 million
  - Reverts to 25% authorization

- **Money Follows the Person**
  - Medicaid demonstration
  - Partial-year FY 2019 funding provided ($112 million)

- **Flood Insurance (5/31/19)**

- **BBA extensions (9/30/19)**
  - Community Health Centers
  - National Health Service Corps
  - Pregnancy Prevention, others
  - $4.7 billion

- **Older Americans (9/30/19)**
  - Discretionary
  - $2 billion
## FY 2020 notable events

### Expiring authorizations
- Every Student Succeeds
- Workforce Investment Opportunity
- Fixing America’s Surface Transportation
- Child Nutrition (some)

### Child Welfare
- Title IV-E option for preventive services (50% match through FY 2026, FMAP thereafter)
- Limits funding for non-family foster care (option to delay for two years)

### DSH Cuts
- Delayed many times
- -$4 billion (FY 2020)
- -$8 billion annually (FYs 2021-25)
The CHIP dip looms large

Additional CHIP FMAP

FY 2016 - FY 2019: 23
FY 2020: 11.5
FY 2021+:
The CHIP dip by state

<table>
<thead>
<tr>
<th>Greater than 23.0</th>
<th>Exactly 23.0</th>
<th>20-22.99</th>
<th>Less than 20.0</th>
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## FY 2021 Preliminary FMAPs

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2020 census sets 10-year baseline

Census

- Citizenship
- Impact on grants
- Funding
- Impact on appropriations
What’s in play?

FY 2020 Appropriations

• New budget agreement?
• Tied to debt limit?
• Tied to everything!

And?

• Lots of activity
• Little action
• Everything linked to the election cycle

Risks to States

• Budget deficit re-emerges as a political hot potato
• Federal shutdowns are no longer unthinkable
Federal Budget Deficits and Projections
($ in billions)

<table>
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<th>Year</th>
<th>Deficit ($ billion)</th>
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<tr>
<td>2010</td>
<td>-$1,294</td>
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<td>2015</td>
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<td>2020</td>
<td>-$903</td>
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<tr>
<td>2025</td>
<td>-$1,212</td>
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Source: CBO Budget and Economic Outlook: 2019-2029
CBO's Projected Outlays ($ in billions)

- Mandatory
- Discretionary
- Net Interest

Years: 2018 to 2029
Questions?

• Check for updates:
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  – mhoward@ffis.org
  – 202-624-5848