

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Betsy Shotwell

SUBJECT: SEE BELOW

DATE: March 27, 2017

Approved

D. D. Syl

Date

3/28/17

INFORMATION

SUBJECT: SQUIRE PATTON BOGGS' ANALYSIS OF THE FY 2018 PRESIDENT'S "SKINNY" BUDGET PROPOSAL

On March 16, President Donald Trump released his proposed FY 2018 "skinny" budget of \$1.1 trillion which is intended to serve as an outline for his full budget request expected in May. The document introduced last week shows where the Administration has prioritized discretionary spending increases, reductions, and eliminations by federal agency and this is the first step in the federal budget process.

According to the City's lobbyist firm of Squire Patton Boggs, (SPB) the President's \$ 1.1 trillion budget request adheres to the topline discretionary spending cap mandated by the Budget Control Act of 2011, but repeals sequestration for defense programs. President Trump's proposal requests an increase of \$54 billion in defense spending in FY 2018 and is offset by equal reductions in in domestic spending.

As noted in the analysis, the president proposes to reduce funding for a number of departments and agencies by over ten percent, including: the Environmental Protection Agency, the State Department, the Department of Agriculture, the Department of Labor, the National Institutes of Health, the Army Corps of Engineers, the Department of Housing and Urban Development, the Department of Education, the Department of Transportation, and the Department of Interior.

The analysis also includes a summary of key programs and agencies that are proposed for elimination including: the Community Development Block Grant (CDGB); HOME Investment Partnerships Program; Economic Development Administration (EDA); and Transit New Starts. With regards to New Starts, the skinny budget eliminates funding for any Capital Investment Program without a full Funding Grant Agreement -- BART Phase 2 and Caltrain electrification do not have a Full Funding Grant Agreement. The City will continue to work with VTA and Caltrain and other partners to emphasize the project's benefits to the region. VTA is tracking this issue closely with more details to follow later. The City's Housing Department is analyzing the

HONORABLE MAYOR AND CITY COUNCIL

Subject: Squire Patton Boggs' Analysis of the FY 2018 President's "Skinny" Budget Proposal

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CDGB and HOME proposals potential impacts to the City and will provide more detailed information separately.

Also proposed for elimination in the skinny budget is: Community Development Financial Institutions (CDFI) grants; Low Income Home Energy Assistance (LIHEAP); Corporation for National and Community Service; and the National Endowment for the Arts (NEA), among other agencies and programs as identified.

Squire Patton Boggs' report includes an analysis of the departments and independent agencies addressed in the president's proposal, including: Commerce; Education; Energy; Health and Human Services; Homeland Security; Housing and Urban Development; Justice; Labor; Transportation; Treasury; Veterans Affairs; The Environmental Protection Agency; and the Small Business Administration.

The federal government is currently operating under a Continuing Resolution (CR) for FY 2017 which extended FY 2016 discretionary spending levels through April 28, 2017. If Congress does not pass a budget or another CR, there will be a federal government shutdown. Previous debate over repealing and replacing the Affordable Care Act, and Judge Neil Gorsuch's Supreme Court nomination, have dominated much of the Senate's time heading into early April. Following a two-week recess that is scheduled to begin on April 10, Congress will have only five days before the April 28 funding deadline. Also on March 16, the president submitted a \$30+ billion FY 2017 supplemental appropriations request to Congress to accelerate the campaign against the Islamic State of Iraq and Syria and partially fund border wall construction. The request has been deemed "too late" by appropriators and may be introduced as a separate measure instead of being tied to an omnibus/cromnibus (combination of full budgets and CRs) measure.

This information and analysis will assist the City as we carry forward San Jose's 2017 Federal Legislative Priorities and develop strategies to work effectively with the Administration and the 115th Congress in the first year of President Trump's first term in office. The City will need to be strategic in its overall response to the budget outline in anticipation of the President's full budget. The City will work with other local, regional, state, and national stakeholders to make the case that there is a strong and continuous need for federal dollars to help foster job creation, housing, economic development, transportation infrastructure and much more.

/s/

BETSY SHOTWELL

Director, Intergovernmental Relations

For more information, please contact Betsy Shotwell, Director of Intergovernmental Relations at (408)535-8270.

Attachment: Squire Patton Boggs analysis of the FY 2018 President's "Skinny" Budget Proposal



MEMORANDUM

From: Squire Patton Boggs LLP
Date: March 16, 2017
Subject: FY 2018 President's "Skinny" Budget Proposal

Today, President Donald Trump released his Administration's FY 2018 "skinny budget," intended to serve as the blueprint for his full budget request expected in April/May.

As anticipated, the \$1.1 trillion budget request adheres to the topline discretionary spending cap of \$1.1 trillion mandated by the Budget Control Act of 2011 (BCA/P.L. 112-25), but repeals sequestration for defense programs. The BCA established topline defense spending (including some security programs) at \$549 billion and nondefense discretionary spending at \$516 billion for FY 2018. President Trump requests an increase of \$54 billion in defense spending, offset by equal reductions in targeted nondefense programs, changing the caps to \$603 billion and \$462 billion, respectively.

As a result, a number of departments and agencies are facing proposed reductions of over ten percent: the Environmental Protection Agency (31 percent); the State Department (28 percent); the Department of Agriculture (21 percent); the Department of Labor (21 percent); the National Institutes of Health (18 percent); the Army Corps of Engineers (16 percent); the Department of Housing and Urban Development (13 percent); the Department of Education (13 percent); the Department of Transportation (13 percent); and the Department of Interior (12 percent).

Within these reductions, a number of key programs and agencies are also proposed for elimination:

- Advanced Research Projects-Energy (ARPA-E)
- Advanced Technology Vehicle Manufacturing Program
- Appalachian Regional Commission

- Choice Neighborhoods
- Community Development Block Grant
- Corporation for National and Community Service
- Corporation for Public Broadcasting
- Delta Regional Authority
- Economic Development Administration
- Essential Air Service (EAS) Program
- HOME Investment Partnerships Program
- Institute of Museum and Library Services
- Legal Services Corporation
- Low Income Home Energy Assistance Program
- Manufacturing Extension Partnership program
- Minority Business Development Agency
- National Endowment for the Arts
- National Endowment for the Humanities
- Neighborhood Reinvestment Corporation
- Northern Border Regional Commission
- Senior Community Service Employment Program
- State Criminal Alien Assistance Program
- The Low Income Home Energy Assistance Program
- Transportation Investment Generating Economic Recovery (TIGER)
- U.S. Trade and Development Agency
- United States Institute of Peace
- United States Interagency Council on Homelessness

In explaining many of these program eliminations, the Administration notes that the responsibility for funding and managing these programs should shift to state and local governments. It is important to note that the BCA also included a provision that mandated any deviation from these caps would require Congressional approval. Democrats will strongly resist any defense increases for which equal nondefense increases are not provided, let alone equal nondefense reductions.

NOTE: As the federal government is currently operating under a Continuing Resolution (CR), which extended FY 2016 funding levels through April 28, 2017, references to “current” funding are the 2017 annualized CR level.

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DEPARTMENT OF AGRICULTURE

FUNDING

The President's FY 2018 Budget requests \$17.9 billion for the United States Department of Agriculture (USDA), which is a \$4.7 billion or 20.7 percent decrease from its current funding level. The USDA budget request intends to support core departmental and mission critical activities while streamlining, reducing, or eliminating duplicative or lower priority programs.

Fully-funded programs include:

- \$1.015 billion for the Food Safety and Inspection Service, which employs more than 8,000 personnel across 6,400 federally-inspected slaughter and processing facilities across the nation;
- \$2.4 billion for wildland fire preparedness and suppression activities, which is 100 percent of the 10-year average for suppression operations; and
- \$350 million for USDA's flagship competitive research program.

PROGRAM REDUCTIONS

The budget provides approximately \$6.2 billion, down from its current level of \$6.4 billion, for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), which provides grants to states for supplemental foods, health care referrals, and nutrition education for low-income pregnant and postpartum women, infants, and children at nutritional risk.

The budget reduces funding for certain activities in the National Forest System, such as the acquisition of major new federal land.

The budget reduces funding for certain USDA statistical capabilities and reduces staffing in USDA's Service Center Agencies to streamline operations and encourage private sector conservation planning.

PROGRAM ELIMINATIONS

- McGovern-Dole International Food for Education Program
- Water and Wastewater Loan and Grant Program
- Rural and Business and Cooperative Service's discretionary activities

POLICY HIGHLIGHTS

The budget focuses on maintaining existing forests and grasslands, and providing necessary funding to complete the Census of Agriculture.

The budget focuses on in-house research funding within the Agricultural Research Service, such as increasing farming productivity, sustaining natural resources in rural communities, and addressing food safety and nutrition priorities.

DEPARTMENT OF COMMERCE

FUNDING

The President's FY 2018 Budget requests a 16 percent decrease for the Department of Commerce, from the current funding level of \$9.3 billion to \$7.8 billion. The budget prioritizes and protects investments in core government functions, such as the 2020 Decennial Census, accurate weather analysis, promoting fair trade, and managing marine resources and ocean and coastal navigation. The budget does not include total funding levels for the National Institute of Standards and Technology. The budget provides:

- \$1.5 billion to the U.S. Census Bureau
- \$1 billion for the National Weather Service

PROGRAM ELIMINATIONS

- Economic Development Administration (EDA)
- Minority Business Development Agency
- Hollings Manufacturing Extension Partnership (MEP)
- Over \$250 million in unspecified National Oceanic and Atmospheric Administration (NOAA) grants and programs supporting coastal and marine management, research, and education

POLICY HIGHLIGHTS

- International Trade Administration - strengthens the agency's trade enforcement and compliance functions.
- Economics and Statistics Administration - consolidates the agency's functions within the Bureau of Economic Analysis, the U.S. Census Bureau, and the Department of Commerce's Office of the Secretary.
- NOAA - maintains the current generation of polar orbiting and geostationary weather satellites.
- National Telecommunications and Information Administration (NTIA) - supports the commercial sector's development of next generation wireless services.

DEPARTMENT OF EDUCATION

FUNDING

The President’s FY 2018 Budget requests a 13 percent reduction for the Department of Education, from the current funding level of \$68 billion to \$59 billion. The Education budget prioritizes investments in public and private school choice, protects support for Historically Black Colleges and Universities and Minority Serving Institutions, and maintains funding for Individuals with Disabilities Education (IDEA) Act programs to support students with special education needs. Increases in spending include: \$1.4 billion to promote public and private school choice, including a \$168 million increase to charter schools; \$250 million for a new private school choice program; and a \$1 billion increase to Title I funding to encourage districts to adopt a system of student-based budgeting and open enrollment that enables federal, state, and local funding to follow the student to the public school of his or her choice.

Maintained funding levels include:

- \$13 billion in funding for IDEA programs to support students with special education needs
- \$492 million in funding for Historically Black Colleges and Universities and Minority-Serving Institutions

PROGRAM REDUCTIONS

- The budget proposes a “significant” reduction to the Federal Work-Study, but does not provide a specific amount.
- TRIO programs are reduced by \$92 million (\$900 million to \$808 million).
- GEAR UP is reduced by \$104 million (\$323 million to \$219 million) and would only be funded as continuations of current awards pending a review process.

The proposal maintains level funding for the Pell Grant program at \$22.5 billion, but would cancel the \$3.9 billion in unobligated carryover funding.

The budget proposes to eliminate or reduce over 20 programs. While not providing an exhaustive list, Striving Readers, Teacher Quality Partnership, Impact Aid Support Payments, and International Education Programs are all specifically identified.

PROGRAM ELIMINATIONS

- Supporting Effective Instruction State Grants
- 21st Century Community Learning Centers program
- Federal Supplemental Educational Opportunity Grant program

DEPARTMENT OF ENERGY

FUNDING

The President's FY 2018 Budget requests a 5.6 percent decrease for the Department of Energy (DOE), from the current funding level of \$29.7 billion to \$28 billion. However, due to the President's request to increase funding for DOE's National Nuclear Security Administration (NNSA) by more than 11 percent, the President requested that the remainder of DOE's budget be adjusted to accommodate for this and therefore would incur a significant 17.9 percent decrease, from the \$17.2 billion current funding level to \$14.1 billion. The DOE budget prioritizes investing in nuclear weapons programs, technologies to spur American energy independence, and expresses a "continued emphasis" on cleanup of nuclear contaminated sites and identifying options for disposal of nuclear waste.

The budget expresses support for the Office of Electricity Delivery and Energy Reliability's capacity to carry out cybersecurity and grid resiliency activities, and for research, development and construction for the Navy's current and future nuclear fleets, but does not specify a funding level.

Increases in spending include:

- \$6.5 billion to the Environmental Management program to address nuclear waste clean-up and contamination from energy research and nuclear weapons production;
- \$1.4 billion increase to the NNSA for the warhead life extension program, investments in nuclear infrastructure, and addressing nuclear infrastructure maintenance backlog; and
- \$120 million to restart Yucca Mountain nuclear waste repository and to develop an interim waste storage program.

PROGRAM REDUCTIONS

- The budget proposes to reduce the Office of Science by \$900 million.

In combination with the elimination of the Weatherization Assistance Program and the State Energy Program, the budget proposes to reduce funding for the following agencies which would total \$2 billion:

- Office of Energy Efficiency and Renewable Energy
- Office of Nuclear Energy
- Office of Electricity Delivery and Energy Reliability, and the Fossil Energy Research and Development

PROGRAM ELIMINATIONS

- Advanced Research Projects Agency-Energy (ARPA-E)
- Title 17 Innovative Technology Loan Guarantee Program
- Advanced Technology Vehicle Manufacturing Program
- Weatherization Assistance Program
- State Energy Program

DEPARTMENT OF HEALTH AND HUMAN SERVICES

FUNDING

The President's 2018 Budget requests \$69.0 billion for HHS, a \$15.1 billion or 17.9 percent decrease from the current level.

Increases proposed in the budget include:

- Health Care Fraud and Abuse Control (HCFAC) discretionary funding of \$751 million in 2018, which is \$70 million higher than the current level;
- A total of \$2 billion, which is an increase of \$1 billion, for the Food and Drug Administration (FDA) medical product user fees; and
- A new \$500 million block grant to with the intention of increasing state flexibility and focus on the leading public health challenges specific to each state.

PROGRAM REDUCTIONS

The President proposes a reduction of \$5.8 billion, to \$25.9 billion, for the National Institutes of Health (NIH).

PROGRAM ELIMINATIONS

- Discretionary programs within the Office of Community Services, including the Low Income Home Energy Assistance Program (LIHEAP) and the Community Services Block Grant (CSBG)
- Health professions and nursing training programs
- NIH's Fogarty International Center

POLICY HIGHLIGHTS

The budget:

- Continues to support community health centers, Ryan White HIV/AIDS providers, the Indian Health Service, and other direct care services.
- Reforms key public health, emergency preparedness, and prevention programs.
- Includes a set of administrative actions within the FDA in an effort to achieve regulatory efficiency and speed the development of safe and effective medical products.
- Directs a major reorganization of NIH's Institutes and Centers to help focus resources on the highest priority research and training activities and rebalances the Federal contributions to research funding.
- Consolidates the Agency for Healthcare Research and Quality is consolidated into the NIH.
- Creates a new Federal Emergency Response Fund within the CDC to rapidly respond to public health outbreaks, such as Zika.

DEPARTMENT OF HOMELAND SECURITY

FUNDING

The President's FY 2018 Budget requests a 6.8 percent increase for the Department of Homeland Security, from the current funding level of \$41.3 billion to \$44.1 billion. The Homeland Security budget prioritizes immigration enforcement, cybersecurity, and border security, including construction of a southern border wall. Increases in spending include:

- \$2.6 billion to infrastructure and border technology, including the design and construction of a physical wall along the southern border;
- \$314 million for 500 new Border Patrol agents and 1,000 new Immigration and Customs Enforcement personnel;
- \$1.5 billion for detention and deportation of illegal immigrants;
- \$15 million for mandatory implementation of the E-Verify Program; and
- \$1.5 billion for cybersecurity defense.

PROGRAM REDUCTIONS

The budget proposes to reduce Federal Emergency Management Agency (FEMA) State and Local Grant Programs by \$667 million, to include the reduction or elimination of grant programs such as the Pre-Disaster Mitigation Program and Homeland Security Grant Program. The proposal does not further specify which FEMA state and local grants will be reduced or eliminated, but the program is currently funded at approximately \$1.5 billion, so the President is proposing an approximate 44 percent reduction.

The budget also proposes to reduce the Transportation Security Administration's (TSA) Visible

Intermodal Prevention and Response Program.

PROGRAM ELIMINATIONS

- TSA grants to State and local jurisdictions
- TSA Behavior Detection Office program
- National Flood Insurance Program's Flood Hazard Mapping Program

POLICY HIGHLIGHTS

The budget proposes a 25 percent non-federal match for FEMA preparedness grants (there are currently no match requirements).

The budget also proposes to increase the TSA Passenger Security Fee to cover security operations.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FUNDING

The President's FY 2018 Budget requests a 13.2 percent decrease for the Department of Housing and Urban Development, from the current funding level of \$46.9 billion to \$40.7 billion.

The budget proposes an increase of \$20 million (from \$110 million to \$130 million) for lead-based paint and lead hazard reduction grants. It also includes a topline number of \$35 billion for rental assistance programs.

PROGRAM ELIMINATIONS

- Community Development Block Grant
- HOME Investment Partnerships Program
- Choice Neighborhoods
- Self-help Homeownership Opportunity Program
- Section 4 Capacity Building for Community Development and Affordable Housing

DEPARTMENT OF THE INTERIOR

FUNDING

The President's FY 2018 Budget requests a 12 percent decrease for the Department of the Interior (DOI), from the current funding level of \$13.2 billion to \$11.6 billion. The DOI budget prioritizes the elimination of funding for programs the Administration deems "unnecessary or duplicative" and recommends de-emphasizing others including the traditional role of the federal government acquiring new lands for conservation purposes. With regard to wildfires, the budget highlights a funding provision for "the full 10-year rolling average of suppression expenditures" for wildland fire suppression expenses. The budget also claims to invest "over \$1 billion in safe, reliable, and efficient management of water resources throughout the western United States," but no specifics are provided.

PROGRAM REDUCTIONS

The budget proposes to reduce funding by \$120 million for "new major acquisitions" of federal lands. The budget also recommends reducing funding for "other DOI construction and major maintenance programs" (but does not provide an amount) and recommends that any remaining discretionary funding would be dedicated to addressing maintenance backlogs for national parks, refuges, and public lands. The budget is unclear as to whether this section refers to the entire Land and Water Conservation Fund. If so, the \$120 million reduction alone would represent a 26 percent decrease from the current funding level of \$450 million for the program (to \$330 million). This does not take into consideration other reductions to which the Administration refers, but does not provide for specific amounts.

The budget proposes to reduce the Payment In Lieu of Taxes (PILT) program that supports counties, but maintains that funding would be "in line with average funding for PILT over the past decade."

The budget proposes to "streamline operations" but does not provide the specific amount of funding reduction for the following:

- National Park Service
- Fish and Wildlife Service
- Bureau of Land Management
- Tribal funding for demonstration projects and initiatives that serve only a limited number of Tribes

PROGRAM ELIMINATIONS

The budget proposes to eliminate funding for programs the Administration deems “unnecessary or duplicative,” but does not provide specifics.

POLICY HIGHLIGHTS

The budget documents highlight “administrative reforms already in progress” that would allow the DOI to streamline permitting processes.

DEPARTMENT OF JUSTICE

FUNDING

The President’s FY 2018 Budget requests \$27.7 billion for the Department of Justice (DOJ), a \$1.1 billion (3.8 percent) decrease from current spending levels of \$28.8 billion (this excludes mandatory spending changes involving the Crime Victims Fund and the Assets Forfeiture Fund). The budget focuses on consolidating and streamlining DOJ programs and addressing terrorism, violent crime, the opioid epidemic, and illegal immigration. Spending increases include:

- \$249 million above current levels for the Federal Bureau of Investigation (FBI), including: \$61 million to fight terrorism and combat foreign intelligence and cyber threats; \$35 million to gather and share intelligence data; and \$9 million for firearms purchase background checks;
- \$175 million above current spending levels for unspecified DOJ law enforcement components to address violent crime, gun-related deaths, and the opioid epidemic;
- \$80 million above current spending levels to hire an additional 75 immigration judge teams;
- \$171 million above current spending levels for additional short-term detention space to hold federal detainees;
- \$80 million above current spending levels for the activation of an existing prison facility; and
- \$113 million to repair and modernize outdated prisons.

PROGRAM ELIMINATIONS

- The budget proposes to reduce DOJ programs by \$700 million, to include the elimination of the State Criminal Alien Assistance Program, among others that were not specified.

POLICY HIGHLIGHTS

- Enhances national security and counterterrorism by linking prosecutors and intelligence attorneys with law enforcement investigations and the intelligence community.
- Provides for the hiring of 60 additional border enforcement prosecutors and 40 deputy U.S. Marshals for the apprehension, transportation, and prosecution of criminal aliens. Also supports the addition of 20 attorneys for federal efforts to obtain the land holdings necessary to secure the Southwest border and another 20 attorneys and support staff for immigration litigation assistance.
- Safeguards grants to state and local law enforcement and victims of crime, including Preventing Violence Against Law Enforcement Officer Resilience and Survivability and the Bulletproof Vest Partnership.

DEPARTMENT OF LABOR

FUNDING

The President's FY 2018 Budget requests a 21 percent decrease for the Department of Labor, from the current funding level of \$12.1 billion to \$9.6 billion. The budget prioritizes employment and eligibility assessments, assisting states in expanding apprenticeships, and ending programs believed to be duplicative, unnecessary, unproven, or ineffective. It expands Reemployment and Eligibility Assessments by an undisclosed amount, based on evidence it saves an average of \$536 per claimant in unemployment insurance benefits by reducing improper payments and returning workers back to the workforce. It also proposes to help states expand apprenticeship programs, but does not indicate a specific budget amount.

PROGRAM REDUCTIONS

The budget proposes closing Job Corps centers that do a poor job of educating and training students, and decreases job training and employment service formula grants, but does not specify by how much.

PROGRAM ELIMINATIONS

- Bureau of International Labor Affairs noncompetitive grant programs
- Senior Community Service Employment Program (SCSEP)
- Occupational Safety and Health Administration's training grants
- Office of Disability Employment Policy technical assistance grants

DEPARTMENT OF STATE, USAID, AND TREASURY INTERNATIONAL PROGRAMS

FUNDING

The President's FY 2018 Budget requests \$25.6 billion in base funding for the State Department and the U.S. Agency for International Development (USAID), a 28 percent decrease from current funding levels. The budget also requests:

- \$1.5 billion for Treasury International Programs, a 35 percent reduction compared to current funding levels; and
- Continued funding for the U.S. Export-Import Bank, according to remarks by OMB Director Mulvaney ahead of the budget release.

PROGRAM ELIMINATIONS

- African Development Foundation
- Inter-American Foundation
- U.S. Trade and Development Agency
- Overseas Private Investment Corporation
- U.S. Institute of Peace
- Woodrow Wilson Center for International Scholars
- McGovern-Dole International Food for Education Program
- Global Climate Change Initiative

POLICY HIGHLIGHTS

The budget proposes shifting some foreign military assistance grants to loans to reduce costs to the U.S. taxpayer. It also aims to refocus economic and development assistance “to countries of greatest strategic importance to the U.S.” and to “rightsiz[e] funding across countries and sectors.” It seeks to reduce overlapping capabilities in areas such as peacekeeping and security and eliminates appropriations for a number of small organizations that receive funds from other sources.

DEPARTMENT OF TRANSPORTATION

FUNDING

The President's FY 2018 Budget requests a 13 percent decrease for the Department of Transportation (DOT), a \$2.4 billion cut from \$18.6 billion under the FY 2017 CR to \$16.2 billion for FY 2018. The budget does not affect mandatory DOT funding, including programs funded through the Highway Trust Fund and the Airport Improvement Program, which comprise three-fourths of total federal transportation funding.

While the budget provides few specifics on DOT program funding levels, it does propose: (1) decreasing or eliminating funding for popular discretionary grant programs; (2) eliminating the Essential Air Service program; and (3) reforming the air traffic control (ATC) system.

PROGRAM REDUCTIONS

- The budget proposes to only fund Capital Investment Grant Program (New Starts) projects with existing full funding grant agreements (FFGAs). The budget would not fund any new projects under the New Starts program going forward.
- The budget proposes to end funding for long-distance Amtrak services, focusing resources on state-supported and Northeast Corridor train services.

PROGRAM ELIMINATIONS

- Transportation Investment Generating Economic Recovery (TIGER) Grant Program
- Essential Air Service (EAS) Program

POLICY HIGHLIGHTS

The President's budget proposes a multi-year effort to reform the ATC system, removing it from the Federal Aviation Administration and placing it under the control of an independent, non-governmental organization.

The budget also indicates that future investments in new transit projects should be funded by the localities that use and benefit from the projects, rather than the federal government.

While the budget proposes eliminating the TIGER grant program, it provides support for the Nationally Significant Freight and Highway Projects grant program, which funds large freight projects with national or regional benefits.

DEPARTMENT OF THE TREASURY

FUNDING

The President's FY 2018 Budget requests a 4.1 percent decrease for the Department of Treasury, from the current funding level of \$12.6 billion to \$12.1 billion. The Treasury Department's budget prioritizes collecting revenue, managing the Nation's debt, protecting the financial system from threats, combating financial crime and terrorism financing, and strengthening existing security systems to enable Treasury to nimbly respond to a cyber-attack.

PROGRAM ELIMINATIONS

- Community Development Financial Institutions (CDFI) Fund grants

POLICY HIGHLIGHTS

Tax

The budget preserves key operations of the Internal Revenue Service (IRS), though it would reduce the agency's budget by \$239 million from FY 2017. Note that – at least in this proposal – the President is not seeking to make structural changes to the IRS, but the House Blueprint would divide the IRS into 3 major units: (1) individual; (2) businesses; and (3) tax court; and replace the IRS Commissioner with an appointed Administrator who is limited in scope.

Financial Services:

Beyond tax policy, the budget “empowers the Treasury Secretary, as Chairperson of the Financial Stability Oversight Council (FSOC), to end taxpayer bailouts and foster economic growth by advancing financial regulatory reforms that promote market discipline and ensure the accountability of financial regulators” – goals shared both by President Trump (as evidenced by his various executive orders on financial services regulatory reform) and House Financial Services Chairman Jeb Hensarling (R-TX), who is leading the charge with his Financial CHOICE Act.

Though established under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) to oversee and facilitate the implementation of new laws deemed necessary to ensure the nation's financial stability, the body may now become one of deregulation. For example, in an executive order last month, President Trump directed Secretary Mnuchin to convene a meeting of the FSOC to confer with other top regulators and conduct a review of the current financial regulatory framework. Secretary Mnuchin is tasked with preparing the first report of the group's findings by June 3, 2017. This could prove particularly important in relation to the Consumer Financial Protection Bureau (CFPB), as the FSOC has the authority to stay and set aside any of the Bureau's rules by a two-thirds vote of its members.

DEPARTMENT OF VETERANS AFFAIRS

FUNDING

The President's FY 2018 Budget requests a six percent increase for the Department of Veterans Affairs (VA), from the current funding level of \$74.5 billion to \$78.9 billion, including an additional \$3.5 billion in mandatory budget authority to continue and expand the Veterans Choice Program, which is scheduled to expire in August 2017.

The budget focuses on access to primary and specialized care, education benefits, counseling, support services, as well as creating greater efficiency in the VA claims process and provision of services.

Increases include \$4.6 billion for VA healthcare.

ENVIRONMENTAL PROTECTION AGENCY

FUNDING

The President's FY 2018 budget requests a 31.4 percent decrease for the Environmental Protection Agency (EPA), from the current funding level of \$8.2 billion to \$5.7 billion. This is the largest proposed cut of any agency and would result in almost half the budget the agency had in 2012. The budget documents highlight that this reduction would result in 3,200 fewer positions at the agency. Funding highlights include:

- \$2.3 billion for State Revolving Funds, a \$4 million increase over current levels; and
- Level funding of \$20 million for the Water Infrastructure Finance and Innovation Act (WIFIA).

PROGRAM REDUCTIONS

- \$762 million for the Hazardous Substance Superfund Account. This is a reduction of \$330 million (30 percent).
- \$419 million for the Office of Enforcement and Compliance Assurance. This is a reduction of \$129 million (22 percent).
- \$250 million for the Office of Research and Development (ORD). This is a reduction of \$233 million (48 percent).
- \$597 million for Categorical Grants, a reduction of \$482 million (45 percent).

PROGRAM ELIMINATIONS

The budget highlights that it proposes to eliminate more than 50 EPA programs for a reduction of \$347 million, including:

- Clean Power Plan
- International climate change programs
- Climate change research, partnership programs and related efforts
- Great Lakes Restoration Initiative
- Chesapeake Bay Program
- Other geographic-specific programs not specified
- Energy Star
- Targeted Airshed Grants
- Endocrine Disruptor Screening Program
- Infrastructure Assistance to Alaska Native Villages and the Mexico Border

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

FUNDING

The President's FY 2018 Budget Requests \$19.1 billion for NASA, a 0.8 percent decrease from current spending levels. The budget focuses on increasing cooperation with industry through public-private partnerships, prioritizing deep space exploration over Earth-centric research, and the development of technologies that help achieve U.S. space goals. The budget provides:

- \$624 million for aeronautics research and development;
- \$1.9 billion for the Planetary Science program;
- \$3.7 billion for the continued development of the Orion crew vehicle, Space Launch System, and associated ground system to send American astronauts on deep-space missions; and
- \$1.8 billion to the Earth science portfolio, a decrease of \$102 million from current spending levels.

PROGRAM ELIMINATIONS

- Four Earth science missions (PACE, OCO-3, DSCOVR Earth-viewing instruments, and CLARREO Pathfinder)
- The Office of Education

POLICY HIGHLIGHTS

- Supports and expands public-private partnerships as the foundation of future U.S. civilian space efforts and for deep-space habitation and exploration systems.
- Creates new opportunities for collaboration with industry on space station operations.
- Funds data buys from companies operating small satellite constellations.
- Supports work with industry to develop and commercialize new space technologies.
- Supports initiatives that use smaller, less expensive satellites to advance science in a cost-effective manner.
- Directs NASA to investigate approaches for reducing the costs of exploration missions to enable a more expansive exploration program.
- Strengthens NASA's cybersecurity capabilities.

SMALL BUSINESS ADMINISTRATION

FUNDING

The President's FY 2018 Budget Requests \$826.5 million for the Small Business Administration (SBA), a \$43.2 million (5 percent) decrease from current spending levels of \$869.7 million. The budget is focused on reductions to redundant programs that deliver services "better provided by the private sector." The budget provides:

- More than \$45 billion in loan guarantees to assist American small business owners with access to affordable capital;
- Over \$1 billion in disaster relief loans to businesses, homeowners, renters, and property owners impacted by natural disasters; and
- \$28 million in microloan financing and technical assistance for small businesses and startups.

PROGRAM REDUCTIONS

- Reduces duplicative outreach center services

PROGRAM ELIMINATIONS

- PRIME technical assistance grants
- Regional Innovation Clusters
- Growth Accelerators

POLICY HIGHLIGHTS

- Provides training and support services for transitioning service members and veterans to promote entrepreneurship and business ownership.
- Allows SBA to advocate and assist small businesses in accessing federal contracts and government-wide research opportunities for small businesses.

U.S. ARMY CORPS OF ENGINEERS

FUNDING

The President's FY 2018 Budget requests a 16.3 percent decrease for the U.S. Army Corps of Engineers, from \$6 billion to \$5 billion.