

**COMMITTEE ON PUBLIC AFFAIRS**

**Committee on Public Affairs**

**May 21, 2015**

4. Information: Federal Relations Update.....Kimrey Rhinehardt

**Situation:** Kimrey Rhinehardt will share updates from recent visits with members of the North Carolina Congressional delegation.

**Background:** At each meeting the committee receives updates on current and future issues related to federal higher education and research funding.

**Assessment:** N/A

**Action:** This is for information only.



# **FY2016 Federal Budget Tracker**

*Published: February 27, 2015*

*Updated: May 8, 2015*

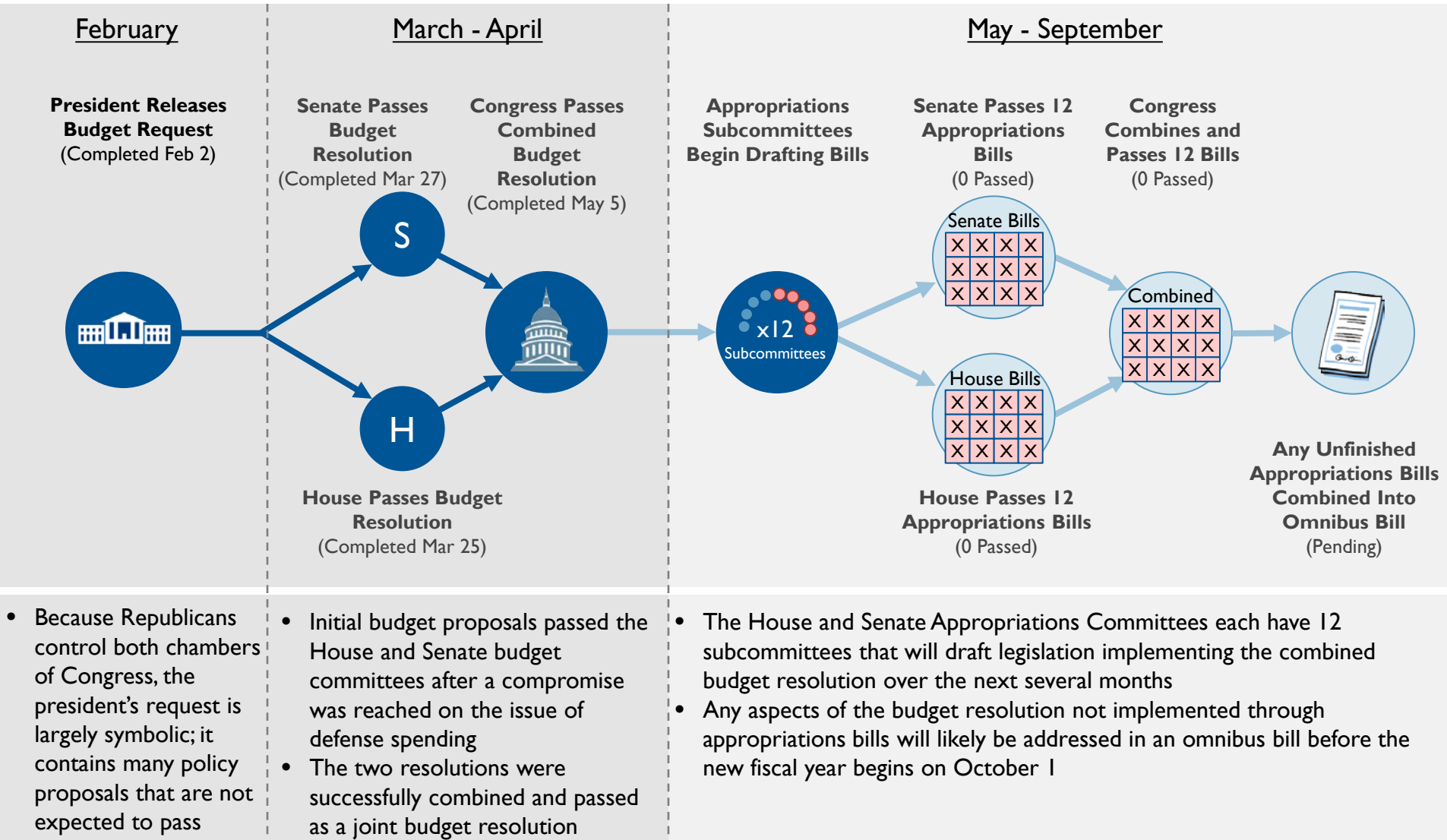
Research Assistance Provided By: National Journal

Note: This presentation is designed to follow the FY2016 budget process as it unfolds and will be updated and expanded as new information is available. Updated slides will be marked in the upper-left corner with the date that they were last updated.

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# Joint Budget Resolution Passage Begins Appropriations Process

## Current Status of the FY2016 Budget Process

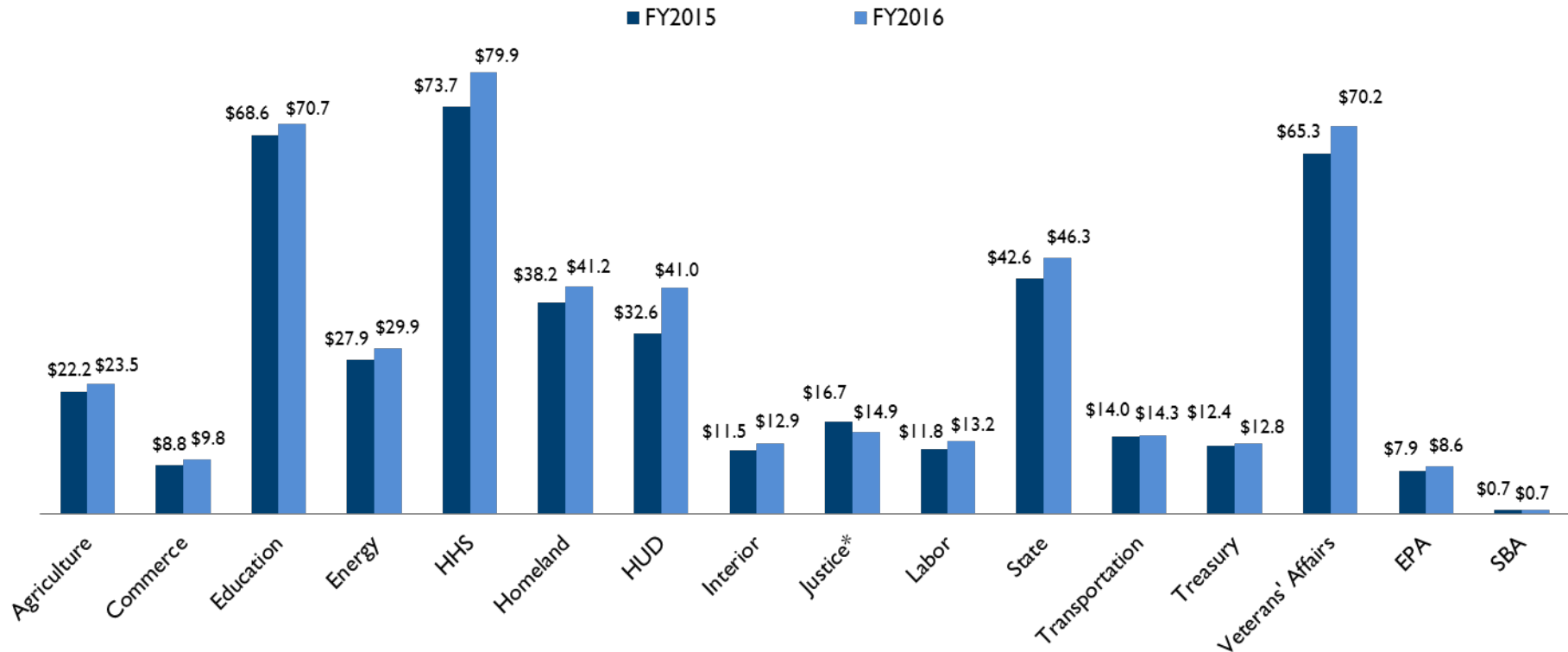




# President's Budget Request Reflects Democratic Priorities

## Comparison of FY2015 and FY2016 Budget Requests

(in billions)



### Analysis

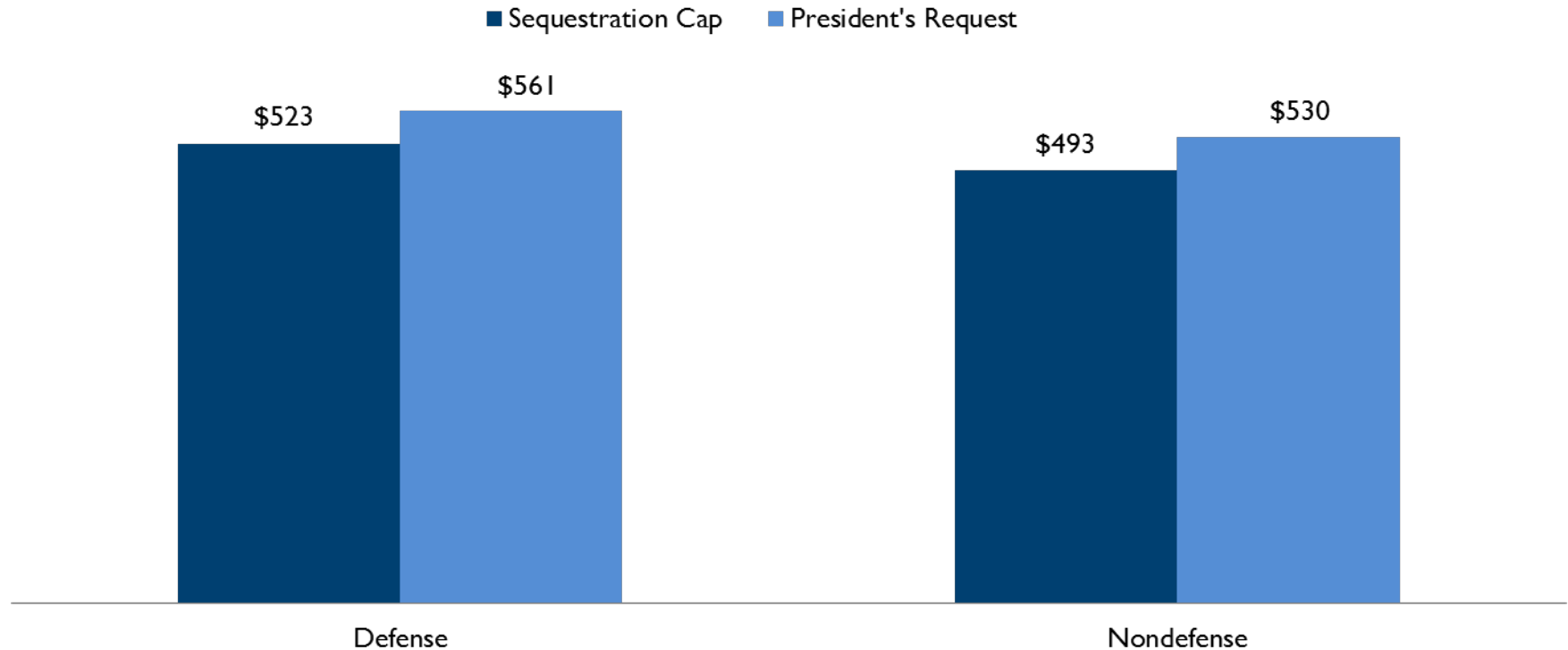
- Compared to his request for FY2015, President Obama's FY2016 budget request would increase spending in nearly every area
- Whereas the president's request last year attempted to find a compromise between Democratic and GOP priorities in a divided Congress, this year's request is largely a symbolic wish list of Democratic priorities that will contrast with a unified GOP budget

\*The apparent decline in Justice spending is largely due to an accounting technicality and does not reflect a significant decrease in actual funding



# Budget Request Exceeds Sequestration Caps

Comparison of Sequestration Caps and the President's FY2016 Budget Request  
(in billions)



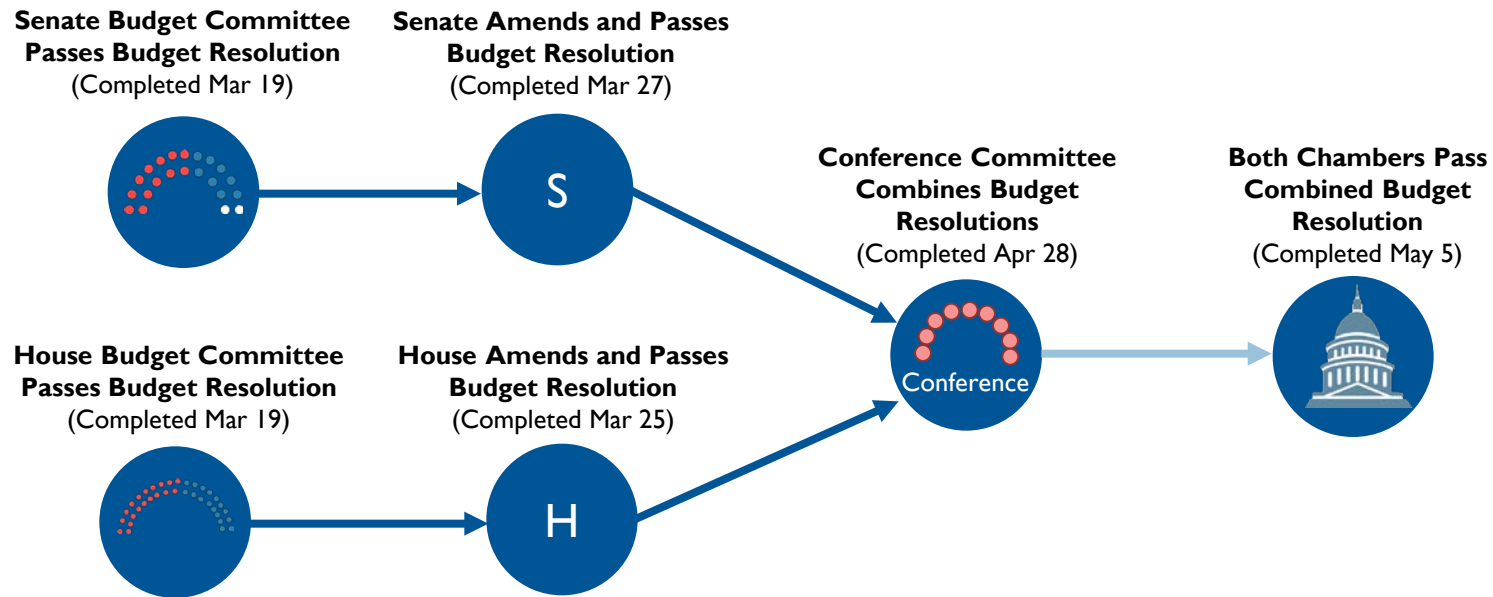
## Analysis

- The president's budget request asks for an additional \$38 billion for defense and an additional \$37 billion for nondefense spending above the sequestration caps set by the Budget Control Act of 2011 and the Bipartisan Budget Act of 2013
- President Obama suggested that the caps were no longer appropriate due to increasing economic growth and the need to combat growing national security threats such as the Islamic State (also known as ISIS/ISIL)
- While Congressional Republicans are generally opposed to increased government spending, many GOP lawmakers are interested in raising defense spending above the caps, and the president's proposal may provide additional political cover to do so



# Initial Budget Negotiations Focused On Issue of Defense Spending

## Process for Drafting and Passing a Budget Resolution



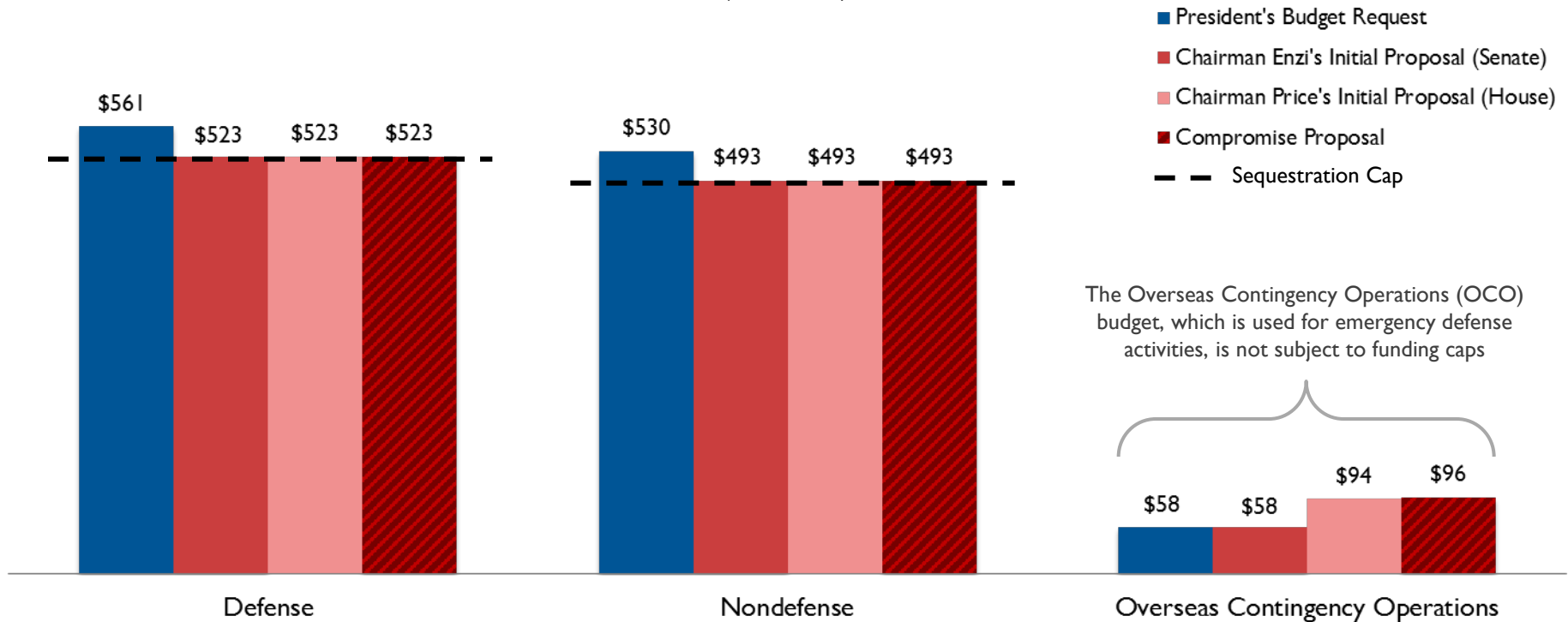
### Analysis

- The House Budget Committee was planning on passing their resolution on March 18, but initial negotiations fell apart after fiscal conservatives rejected a defense spending increase offered to appease defense-oriented Republicans
- After several days of negotiation, the House and Senate budget resolutions were amended to increase defense spending by adding \$38 billion to an emergency defense fund that is not subject to sequestration caps
- After the resolutions passed in their respective chambers, a conference committee combined the resolutions to form a unified budget
- The joint budget resolution passed both chambers without any further changes, setting the stage for the appropriations process



# GOP Compromise Used Emergency Defense Funding to Avoid Caps

Comparison of Discretionary Spending Levels in White House, House, and Senate Budget Proposals  
(in billions)



## Analysis

- Although both proposals kept defense and nondefense funding below sequestration caps, Chairman Price's proposal in the House increased funding for Overseas Contingency Operations (OCO), a special budget category not subject to sequestration caps that was originally created to fund the Global War on Terror
- Negotiations between defense hawks and fiscal hawks led to a compromise that increased the OCO budget to a total of \$96 billion
- Although the final joint budget resolution includes the additional defense spending, President Obama has threatened to veto appropriations legislation that increases defense spending without increase other nondefense priorities



# Joint Budget Resolution Removes Medicare Proposal

## Comparison of Major Proposals for Nondefense Programs in GOP Budget Resolutions

	Chairman Price's Proposal (House)	Chairman Enzi's Proposal (Senate)	Joint Budget Resolution
Balances the budget in 10 years	✓	✓	✓
Repeals the Affordable Care Act	✓	✓	✓
Gives states greater flexibility to make changes to their Medicaid programs	✓	✓	✓
Partially privatizes Medicare by introducing a "premium support" system	✓	X	X

### Analysis

- The House and Senate budget resolutions largely agreed on their major policy proposals for nondefense programs
- Both budgets balanced by 2025 by reducing spending and keeping revenues at the current level
- In both budgets, some of this spending reduction was achieved by repealing the Affordable Care Act
- The largest difference between the two plans was their approach to Medicare: the House proposal included a "premium support" system that gives beneficiaries a credit that they can apply to either traditional Medicare or a competing private insurance plan
- The final joint budget resolution negotiated by the conference committee kept many of the spending cuts proposed in both budgets, but followed the Senate's lead on Medicare by removing the reforms proposed by the House

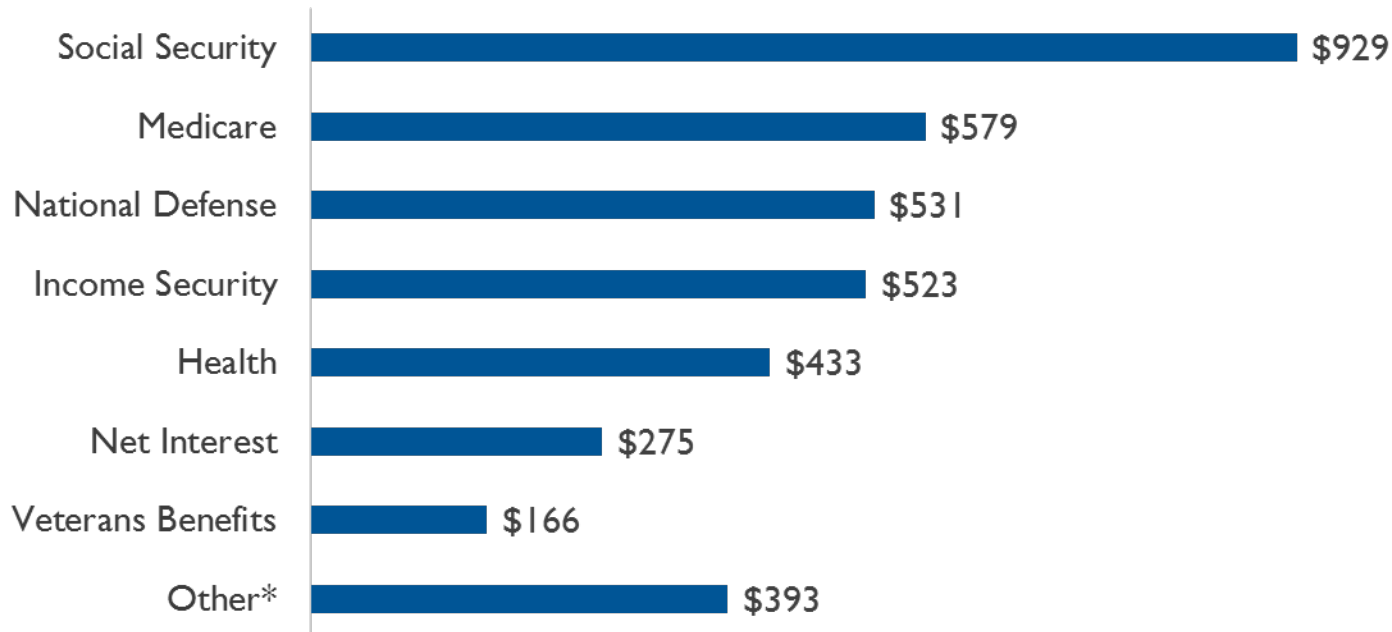




# Joint Budget Resolution Sets Stage for Appropriations Process

## FY2016 Budget Authority in the Joint Budget Resolution

(by function category, in billions)



\*See the following slide for a detailed breakdown of all other categories not listed here

### Analysis

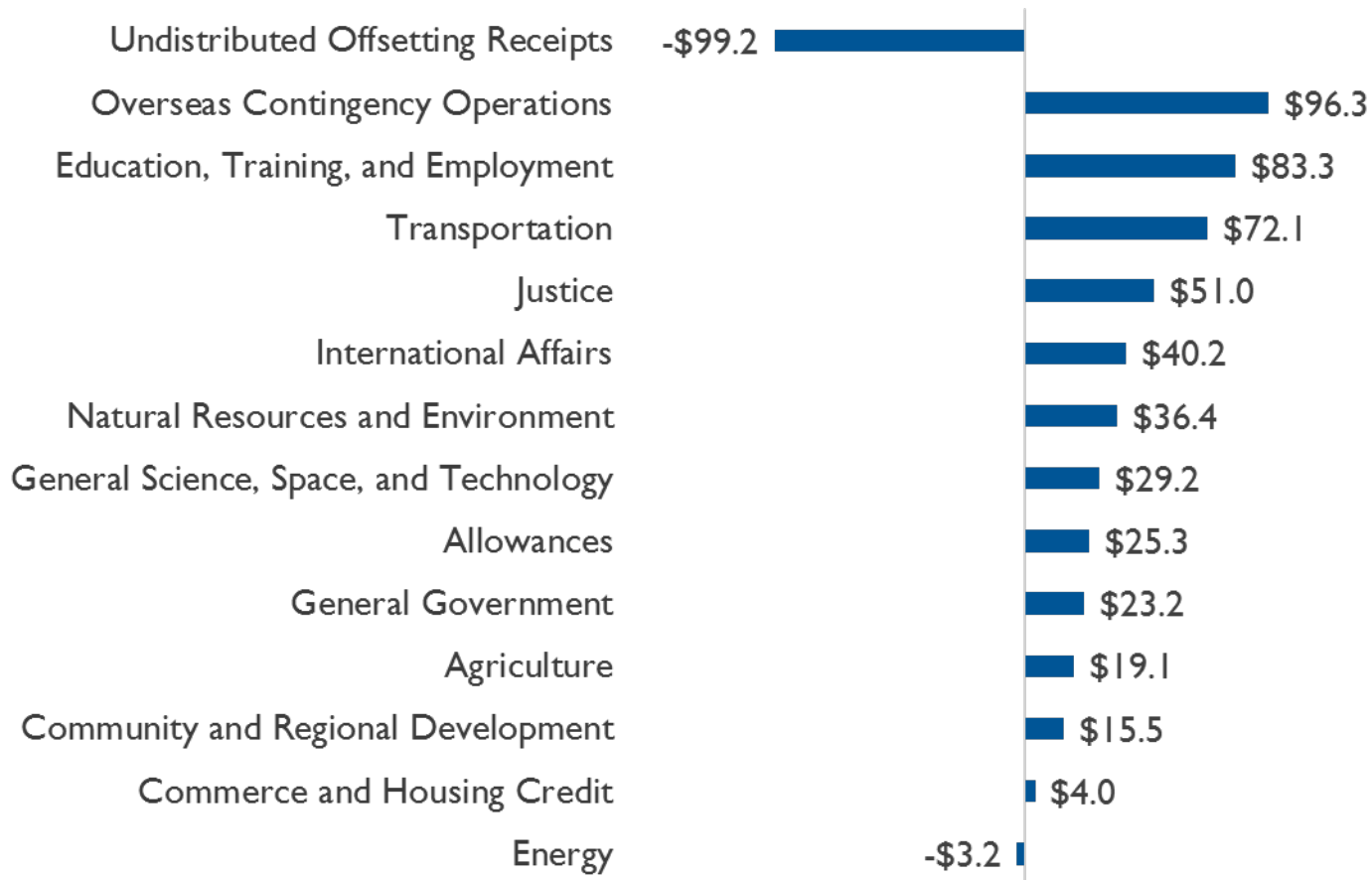
- Although the joint budget resolution proposes large cuts in many programs over a 10-year window, the resolution only makes modest changes to spending levels in FY2016, and the total spending in FY16 effectively matches the existing CBO baseline from March
- As in previous years, mandatory spending continues to comprise a large portion of the budget
- Now that topline spending numbers have been set, appropriations subcommittees will formally begin drafting and passing legislation implementing the joint budget resolution
- While the passage of the joint budget resolution formally begins the appropriations process, many appropriations bills are already partially written, and some bills could pass in their respective subcommittees before the end of May

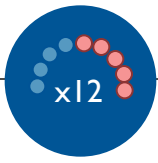


## Joint Budget Resolution Sets Stage for Appropriations Process

### FY2016 Budget Authority in the Joint Budget Resolution (cont'd)

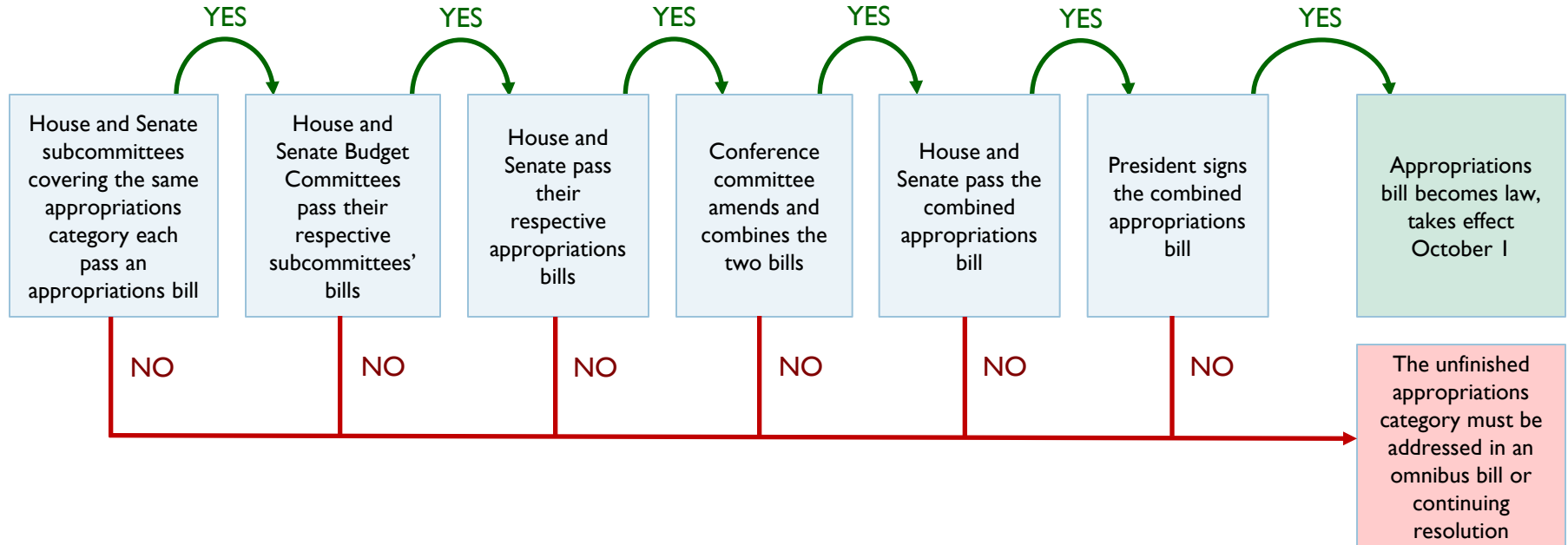
(by function category, in billions)





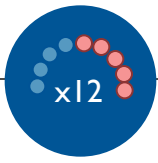
# Appropriations Process Has Many Failure Points

## Appropriations Process for a Single Appropriations Category




### Analysis

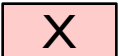
- Now that a joint budget resolution has passed, the appropriations subcommittees in each chamber will turn the budget resolution's topline numbers into program-specific spending levels
- Any appropriations bill that is not completed before the new fiscal year begins on October 1, 2015 will be folded into an omnibus bill or CR before the beginning of the new fiscal year in order to prevent funding gaps
- Because each appropriations bill is passed as a separate law, the President can veto an individual appropriations bill without affecting the other categories
- President Obama threatened to veto appropriations legislation containing defense spending increases beyond budget caps unless Congress also passes spending increases for nondefense programs



# Previous Cycles May Hint at FY16 Appropriations Outcomes

## Progress of House Appropriations Bills, FY2012-2015

 Achieved initial passage in House

 Failed initial passage in House

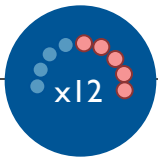
	FY12	FY13	FY14	FY15
Agriculture	✓	X	X	X
Commerce	X	✓	X	✓
Defense	✓	✓	✓	✓
Energy and Water	✓	✓	X	✓
Financial Services	X	✓	✓	X
Homeland Security	X	✓	X	✓
Interior and Environment	X	X	X	X
Labor HHS	X	X	X	X
Legislative Branch	✓	✓	X	✓
Military/Veterans	✓	X	X	✓
State/Foreign Operations	X	X	X	X
Transportation/HUD	X	X	X	✓

Some appropriations bills, such as Defense, tend to pass more easily because they concern uncontroversial programs or because failure to pass a bill would be politically unpalatable

Some appropriations bills are more difficult to pass because they fund politically controversial programs or are subject to more partisan politics

### Analysis

- The appropriations process in recent years has tended to progress unevenly: some bills, such as Defense, have regularly managed to pass the House, while other bills haven't passed either chamber in years
- Since FY2013, the Senate has passed no appropriations bills; the new Senate Majority Leader Mitch McConnell (R-KY) promised to restore "regular order" and pass appropriations bills in the Senate this year as part of his reelection campaign last year

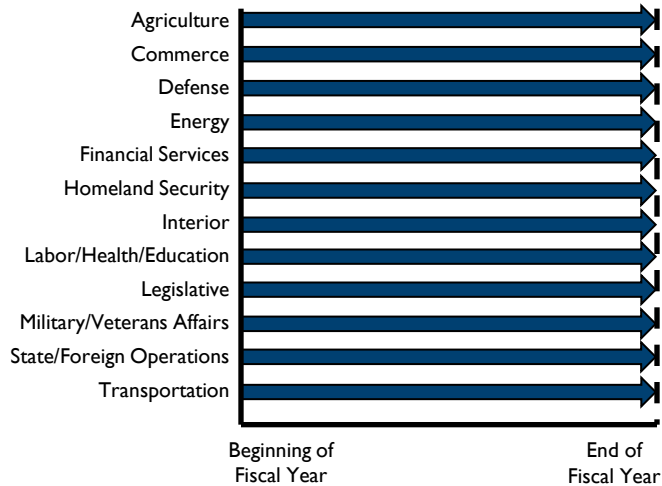


# Appropriations Bills Shape Budget Endgame

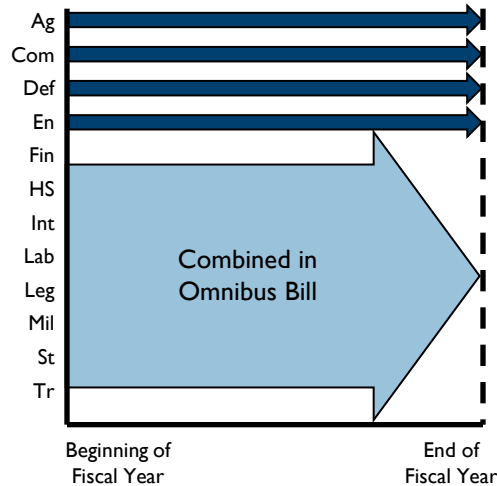
## Hypothetical Budget Outcomes: Funding Categories and Duration

■ Appropriation Bill   ■ Omnibus Bill   ■ Continuing Resolution

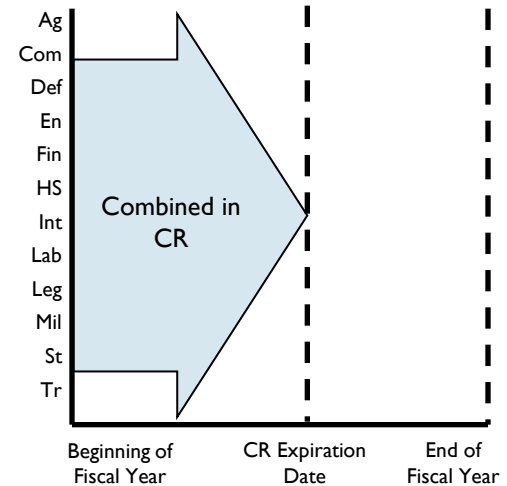
### Regular Order



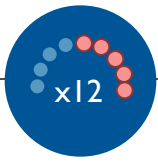
### Omnibus



### Continuing Resolution



<b>Description</b>	A regular order budget consists of 12 separate appropriations bills funding programs through a full fiscal year	An omnibus budget combines unfinished appropriations categories into one bill and funds programs through a full fiscal year	A CR funds all programs for a finite amount of time
<b>Conditions for Use</b>	Used when all subcommittees successfully negotiate individual program funding levels	Used when regular order fails but a full fiscal year budget with some funding changes is still desired and can be agreed upon	Used when regular order fails and funding changes cannot be agreed upon; keeps government open
<b>Funding Flexibility</b>	Flexible; funding levels and designations from prior years can be adjusted to fit current needs	Flexible; funding levels and designations from prior years can be adjusted to fit current needs	Inflexible; continues current spending levels and designations for the time period of the resolution



# Budget Resolution Attaches Reconciliation to ACA Repeal

## Conditions for and Outcomes of Congressional Reconciliation Process in Senate

Can reconciliation be used on a bill?

Has Congress passed a budget resolution?

NO

↓ YES

Does the resolution include reconciliation directives specifying which committees can initiate reconciliation?

NO

↓ YES

Do the provisions in the bill affect federal spending levels?

NO

↓ YES

Does the bill reduce or maintain the budget deficit?

NO

↓ YES

Are there no changes to Social Security in the bill?

NO

↓ YES

Is this the first time a reconciliation bill has been passed this fiscal year?

NO

YES

### Reconciliation cannot be used on this bill

- Senate can debate the bill without limits, which means that the bill needs 60 votes to overcome filibusters and proceed to passage
- Senators can offer amendments unrelated to the bill

### Reconciliation can be used on this bill

- Senate can debate the bill for 20 hours, which means the bill cannot be filibustered and only needs 51 votes to pass
- Amendments must be related to bill and are voted on without debate after 20-hour period

### Analysis

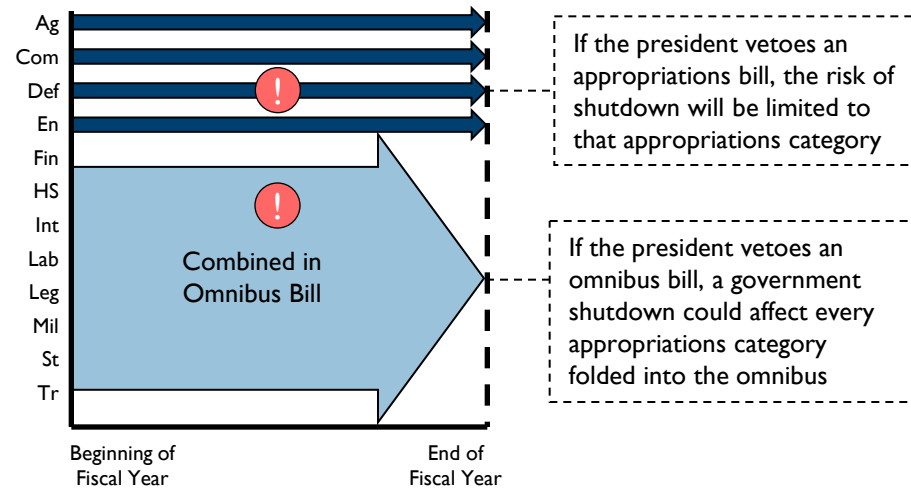
- This year's joint budget resolution endorses the use of reconciliation for the purpose of repealing the Affordable Care Act
- The resolution's instructions empower the following committees to contribute to a reconciliation bill: Senate Finance, Senate HELP, House Education and Workforce, House Energy and Commerce, and House Ways and Means
- While bills passed through reconciliation can overcome a filibuster, they are still subject to a presidential veto upon passage



# Budget Endgame Could Depend on Veto Threats

## Hypothetical Budget Outcome: Omnibus with Controversial Provisions

■ Appropriation Bill   ■ Omnibus Bill   ! Controversial Provision



### Analysis

- This year's joint budget resolution states that reconciliation will be used for the sole purpose of repealing the Affordable Care Act; if an appropriations bill is passed containing repeal language, it is very likely to be vetoed by President Obama
- If the president vetoes a single appropriations bill, a partial shutdown could affect all programs funded through that appropriations bill until a new bill (possibly a continuing resolution) is passed and signed in its place
- If reconciliation is used to pass an omnibus bill containing a repeal of the Affordable Care Act, a veto could cause a more widespread government shutdown
- An attempt to repeal or reform the Affordable Care Act using reconciliation could coincide with a potential Supreme Court ruling in *King v. Burwell* against the law's subsidy provisions, which could provide GOP lawmakers with political leverage