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MEMORANDUM

To: Mayor Libby Schaaf
Council President Lynette Gibson McElhaney and Members of the City Council

From: Townsend Public Affairs, Inc.

Date: October 19, 2016

Subject: Ongoing update of the 2016-2017 State & Federal Budgets

State Update

The Legislature wrapped up the two-year legislative session early in the morning on September 1. They will reconvene for the first year of the next two-year session on January 2, 2017. TPA has previously sent multiple detailed updates on the state legislative session and state budget. If there are any outstanding questions, please let us know.

Federal Appropriations and Budget Process

Congress's Fiscal Year 2016 ended on September 30. Instead of passing a bill to fund the government through the end of Fiscal Year 2017 (September 30, 2017), Congress passed a continuing resolution (CR) that funds all government programs through December 9, 2016 at the same levels as FY2016 funding. By midnight on December 9, Congress will have to pass additional funding (either another CR or full-year funding with new negotiated funding levels) or else the government will shut down.

Hopes are high that Congress will pass full-year funding by December 9. Traditionally, Congress funds the government by passing twelve individual appropriations bills, each grouped by federal department and negotiated independently by the appropriate committees. However, for the past several years, Congress has been unable to pass all twelve bills in time, and has relied on an omnibus bill, which combines many or all of the twelve individual appropriations bills into one massive full-year funding bill, or minibus bills, which group some but not all appropriations bills together for full-year funding. An omnibus (and sometimes minibuses) can be unwieldy and under-scrutinized compared to the individual twelve bills, but ultimately they fund the government in the same way individual bills would.

If a FY 2017 omnibus or minibuses are not passed by December 9, Congress will have to pass another CR for a length of time of its choosing, or else shut down the government.

Compiling an omnibus or minibuses by December 9 will involve pulling together language from all appropriations bills and attempting a wide-scale negotiation. Top-line amounts will be adjusted based on new negotiations, and to reflect the portion of the fiscal year already funded by the CR. The only exception to this is Veterans Affairs programs and military construction projects; the appropriations bill governing these programs was the only one passed by both chambers and signed into law. Although negotiations will make changes, the following table reflects the top-dollar

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amounts that House and Senate appropriations subcommittees must appropriate within, and how the top-dollar amounts differentiate from FY 2016 amounts.

Congressional Dollar Allocations to Spending Subcommittees (dollars in million):

Subcommittee/bill	FY 2016	FY 2017 House	FY 2017 Senate	+/- from FY 2016
Agriculture-FDA	\$21,750	\$21,299	\$21,250	-451 to -500
Commerce-Justice-Science	\$55,722	\$56,001	\$56,285	+279 to + 1103
Defense	\$514,136	\$517,130	\$515,950	+1814 to +2204
Energy and Water	\$37,185	\$37,444	\$38,241	+259 to +1056
Financial Services	\$23,235	\$21,735	\$22,393	-842 to -1500
Homeland Security	\$40,955	\$41,055	\$41,201	+100 to +246
Interior-Environment	\$32,159	\$32,095	\$32,034	-64 to -125
Labor-HHS-Education	\$162,127	\$161,558	\$161,857	-569 to -730
Legislative Branch	\$4,363	\$4,436	\$4,399	+36 to +73
Military Construction-VA	\$79,869	\$81,471	\$82,498	ENACTED AT \$82.3 billion for FY 2017
State-Foreign Operations	\$37,780	\$37,185	\$37,189	-591 to -595
Transportation-HUD	\$57,301	\$58,190	\$56,474	-827 to +889
Total	\$1,066,582	\$1,069,599	\$1,069,771	+3017 to +3189

Please note that the appropriations process is separate from the congressional budget process. The appropriations process gives the authority to spend money and must be signed by the President. The congressional budget process is designed to give a general and high-level roadmap for appropriations bills, does not require the president's signature, has no force of law, and carries no penalty if Congress does not enact one.

Below are some dates to watch in FY 2017, with the dates in bold indicating deadlines that have serious consequences for going unmet.

Timeline of Relevant Fiscal Year 2017 Appropriations and Budget Dates:

Date	Event
September 29, 2016	Congress passes a continuing resolution to fund the government at Fiscal Year 2016 levels through December 9, 2016.
October 1, 2016	FY 2017 begins.
November 8, 2016	Election Day. This election will dictate the majorities of both chambers, as well as appropriations committee leadership and membership.
December 9, 2016	The last day for which full federal funding has been enacted. A CR or an omnibus or minibuses will have to be enacted by midnight to keep most of the government running, ideally through the end of FY 2017 (although a CR will fund the government through whichever date Congress chooses). Veterans Affairs programs and military construction projects are the exception; they have already been funded through the end of FY 2017.
December 16, 2016	Anticipated last day of session in the 114 th Congress.

December 31, 2016	Scheduled expiration of about three dozen tax breaks.
January 3, 2016	Anticipated first day of session in the 115 th Congress; all new members sworn in.
January 20, 2017	Presidential inauguration.
February 6, 2017	The president is required by Public Law 101-508 to submit a FY 2018 budget request by the first Monday in February. There's no penalty for missing the deadline.
February 15, 2017	The Congressional Budget Office is required to release its annual budget estimate for FY 2018.
March 15, 2017	Debt ceiling comes back into effect. When borrowing authority has lapsed in the past, the Treasury Department has used so-called extraordinary measures to avoid defaulting on government obligations.
April 1, 2017	Senate Budget Committee's deadline for approving a FY 2018 budget resolution.
April 15, 2017	Under the Congressional Budget and Impoundment Control Act of 1974, Public Law 93-344, Congress is supposed to adopt a FY 2018 budget resolution by April 15 -- presenting a unified view of priorities for both the House and the Senate. There's no punishment for missing the deadline, whether by adopting a budget late or not adopting one at all. When the House and Senate can't reach agreement, each chamber can deem its resolution as binding on the spending and revenue bills that come later.
September 30, 2017	Last day of the fiscal year. All 12 appropriations bills for FY 2018 are supposed to be signed by this date.

When Congress returns from recess after Election Day, leadership in both chambers stated that the number one priority, and only must-pass bill, is federal funding. Both House Speaker Paul Ryan and Senate Majority Leader Mitch McConnell stated that they favor a "minibus" strategy, or grouping some but not all appropriations bills together for full-year funding, rather than an omnibus strategy. This requires additional votes, but decoupling some of the funding reduces the likelihood that stalled negotiations on one issue could hold up all federal funding.