

2017 JUN -8 PM 4:41

---

**MEMORANDUM**

---

**To: Mayor Libby Schaaf  
Council President Larry Reid and Members of the City Council**

**From: Townsend Public Affairs, Inc.**

**Date: June 7, 2017**

**Subject: Ongoing update of the 2017-2018 State & Federal Budgets**

---

**State Budget**

As background, TPA sent the City a report on May 13<sup>th</sup> as Governor Brown released his May Revise of the State Budget, which signals the final stages of budget negotiations. After the release of the May Revise, the Assembly and Senate Budget Committees conducted a series of hearings to consider the Governor's proposals, as well as legislative spending priorities.

On May 23<sup>rd</sup>, the legislative Budget Committees each approved their own version of the State budget. Once the two versions of the budget were approved, the Assembly and Senate convened a Budget Conference Committee to reconcile the differences between the Senate and Assembly spending plans.

The Conference Committee has been meeting for approximately two weeks and could propose a compromise spending plan by June 12<sup>th</sup>. That plan will then be forwarded to the Assembly and Senate for floor votes in advance of June 15<sup>th</sup>, the Constitutional deadline to approve the Budget.

While the final details of the FY 2017-18 State Budget are still being worked out between the Governor, Senate Pro Tem, and Assembly Speaker, it should be noted that the Assembly and Senate Budget Committees both approved budget plans that included funding for City priorities such as affordable housing, public safety, funding for transportation projects, and funding for social justice programs.

While the two Houses passed spending plans that had significant agreement, there are a few issues on which the two Houses did not agree. Those issues will be vetted by the Budget Conference Committee and a single recommendation will be put forth for consideration by the Assembly and Senate.

Some of the key elements currently being discussed that are City priorities and being pursued by TPA include:

1. The reallocation of \$400 million (this was from last year's By Right Proposal) for the following affordable housing programs.



- a. \$200 million for Multi-Family Housing Program which also includes supportive housing;
  - b. \$45 million for the down payment assistance program;
  - c. \$90 million for Housing Healthy CA Program; and
  - d. \$25 million for Teacher Workforce Housing.
2. The restoration of funding for the CalVRIP (formally CalGRIP) program proposed by the Senate.
  3. The Administration's proposal to give another allocation to the Victims Fund.
  4. An increase in funding for the After-School Education and Safety (ASES) program.

At the time of drafting this report, many items are fluid due to the current budget process and timeline. However, as soon as we make more progress or identify additional opportunities we will inform the City immediately.

## **Federal Budget**

### **Federal Budget & Appropriations Overview**

- At the federal level, the **budget** is a non-binding, broad outline of spending that is recommended but not required, which is followed by appropriations bills that fund all federal government agencies.
- **Appropriations bills**, which fund the federal government, are traditionally adopted in twelve individual bills pertaining to the various federal departments and agencies. These bills may also advance in the form of a:
  - **Continuing Resolution (CR):** Extension of federal funding for a set amount of time at the same level as previously negotiated
  - **Omnibus:** Full-year funding, all in one bill
  - **Minibus:** Full-year funding, but for several departments at a time
  - **CRomnibus:** Combination CR and omnibus, which negotiates new funding levels for some areas of government and simply extends federal funding at same levels for other areas of government
- In a typical legislative year, Congress begins crafting their annual funding bills after the president submits his proposal in February, followed by appropriation committee hearings in early spring, appropriation bill mark-ups in late spring, floor debate and passage in summer, conference committee negotiations in early fall and final approval by the House and Senate before the September 30 end of the fiscal year.
- However, for the past several years, Congress has been unable to pass all twelve bills in time, and has relied in a series of CRs or omnibus bills.
- 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 appropriation bills would.

## **FISCAL YEAR 2017 APPROPRIATIONS**

Since the enactment of the \$1.0707 trillion Fiscal Year 2017 Omnibus Appropriations bill on May 5, federal departments and agencies have been able to implement program spending plans with the knowledge that the federal government is funded through September 30, 2017. Passage of the

---

relatively uncontroversial spending bill now allows Congress to focus entirely on the Fiscal Year 2018 budget and appropriations process, which is already behind schedule due to the delays in the FY 2017 process.

---

## FISCAL YEAR 2018 BUDGET AND APPROPRIATIONS

President Trump released his proposed Fiscal Year 2018 budget, shorter than usual and called a "skinny budget," in March. The Office of Management of Budget introduced the President's Budget Request (PBR) on May 23, triggering the official start of the annual Congressional budget and appropriations process. Although the Administration aims to significantly reduce funding for many domestic programs while increasing spending for the military, veterans and border security, Congress will ultimately decide spending levels.

Based on the results of the FY 2017 appropriations process, Congress can be expected to resist many of the cuts proposed in this budget. Leadership from both parties have commented publicly that they do not expect the vast majority of the cuts recommended in the President's budget proposal to be reflected in final legislation.

Now that they have returned from the Memorial Day recess, Fiscal Year 2018 budget and appropriations hearings will resume in earnest. However, with the Fourth of July week-long and August month-long recesses looming, the House and Senate Budget and Appropriations Committees will need to work feverishly if they are to have any chance of getting the 12 federal spending bills to the President's desk before the September 30th end of the fiscal year.

PBR funding levels for priority programs are described below. TPA has prepared a draft letter to Senator Feinstein (a senior member of the Senate Appropriations Committee), Senator Harris and Representative Lee advocating for level or increased funding for these programs where the PBR proposes cuts.

- **Community Development Block Grant (CDBG) Program:** FY2017 \$3 billion - proposed for elimination in the PBR. This program has already been cut by \$1.4 billion since FY 2010.
- **HOME Investment Partnerships Program:** FY2017 \$948 million - proposed for elimination in the PBR. This program has already been cut by \$825 million since FY 2010.
- **National Housing Trust Fund:** FY2017 \$140 million - proposed for elimination in the PBR.
- **Healthy Homes Program (Lead Abatement):** FY 2017 \$130 million – PBR proposes level funding
- **Head Start:** FY2017 \$9.253 billion – PBR proposes a \$85 million cut.
- **Senior Community Service Training Program:** FY 2017 \$434 million - proposed for elimination in the PBR.
- **Second Chance Act Grants (Recidivism and Reentry Program):** FY2017 \$68 million – PBR proposes \$48 million, a nearly 30% cut.
- **Homelessness Programs:**
  - Homeless Assistance Grants FY 2017 \$2.25 billion – PBR proposes level funding

- 
- Emergency Solutions Grants: FY 2017 \$270 million – PBR proposes \$255 million, a \$15 million cut

---

- ~~Community Oriented Policing: FY 2017 \$ 197.6 million – PBR proposes \$218 million, a \$20.4 million increase~~

- **Pre-Disaster Mitigation Grants:** FY 2017 \$86 million – PBR proposes \$39 million, a \$47 million cut

- **Assistance to Firefighters Grants:** FY 2017 \$345 million – PBR proposes level funding

### **Tax Reform**

On June 2, National Economic Council Director Gary Cohn announced that additional details of the Administration's tax reform plan would be released in September. This is a large delay from the spring, when the Administration had initially hoped Congress would consider tax reform.

"What we're trying to avoid is to have a House bill, a Senate bill, and a White House bill," said Marc Short, White House Director of Legislative Affairs.

To fund the massive tax cuts expected to be detailed in the tax reform package, the Administration needs Congress to pass "repeal and replace" legislation for the Affordable Care Act, which the Senate has yet to introduce.

### **Looking Ahead**

Former FBI Director James Comey will testify in front of Congress on Thursday, and it is expected to get attention across party lines and on all news networks. This will likely take attention away from any other policy proposal unveilings or appropriations hearings for the week, and depending on how the testimony plays out, could cause additional delays in the appropriations process.

The more delays that occur, the less time Republican leadership will have to negotiate for their funding priorities and desired budget cuts, making it likely that more and more line items will receive the same or similar funding to FY 2017 levels.