



Date: September 20, 2017

To: Federal Legislation Committee Members

From: Patrick H. West, City Manager *T.M.W.*

Subject: **Federal FY 18 Budget**

Introduction

Federal funding touches nearly every aspect of local government. In Long Beach, a few examples of the City's use of federal funds include those allocated to improve local neighborhoods through the Community Development Block Grant program, develop the local workforce through Workforce Innovation and Opportunity Act funding, support affordable housing through Housing Choice Vouchers, and ensure public safety and national security through homeland security grants. These and other sources of federal funding are provided through Congressional authorization each federal fiscal year.

The end of the current federal fiscal year is September 30, 2017. The next fiscal year, FY 18, will begin on October 1, 2017. In anticipation of the beginning of a new fiscal cycle, this memorandum provides an overview on the federal budget process, as well as milestones that have taken place to date.

Process

Per the United States Constitution, the power of the purse is vested in Congress, as provided for in Article I, Section 9, Clause 7 (the Appropriations Clause) and Article I, Section 8, Clause 1 (the Taxing and Spending Clause). Spending bills originate in the House of Representatives. While the President of the United States presents his federal budget priorities to Congress annually, the President's budget does not direct federal spending.

Congress is responsible for adopting 12 annual appropriation bills to fund federal programs and services. Recently, Congress has elected to package several appropriations bills into one "omnibus bill", which requires only one vote in each chamber of Congress to pass all bills contained in the omnibus package. As has also been the case recently, disagreements in Congress have delayed the adoption of all 12 appropriation bills, in which case, Congress has needed to employ the use of Continuing Resolutions to keep the federal government funded for short periods of time. Continuing Resolutions, or CR's, are short-term spending bills that provide a stable source of funding while discussions over the year-long formal appropriation bills progress. Continuing Resolutions also do not include any major policy or spending level changes.

Federal FY 17 Budget

The beginning of FY 17 coincided with the middle of the 2016 Presidential election. Rather than adopt a budget immediately preceding the transfer of power from one President to another, Congress elected to adopt a series of Continuing Resolutions to maintain stable funding without any change to existing policies.

Upon election and in his first budget proposal, entitled, "America First: A Budget Blueprint to Make America Great Again" President Trump proposed a budget that would have significantly changed federal policies, programs and spending compared to those that had been in place over the previous 8-years. The FY 17 budget, as presented by the President, proposed to eliminate funding for numerous local grant programs that have historically been used by the City of Long Beach to support programs and services. Programs proposed for elimination included: State and local grant programs within the U.S. Department of Homeland Security (DHS), Community Development Block Grant (CDBG) and HOME programs within the Department of Housing and Urban Development (HUD), the TIGER grant program within the Department of Transportation (DOT), more than 50 Environmental Protection Agency (EPA) programs, as well as funding for the Institute of Museum and Library Services. Changes proposed by the President for FY 17 were not enacted.

Congress voted to adopt, and the President ultimately signed a FY 17 budget that provided funding levels that were substantively similar to that which were authorized for FY 16 for all federal departments and agencies.

FY 18 Budget

With the conclusion of the FY 17 fiscal year upon us, Congress is fully engaged in the budget process for FY 18. While Congress is still debating an omnibus bill, a Continuing Resolution, H.R. 601, was signed into law on September 8, 2017. Along with funding for established discretionary spending programs, this Continuing Resolution will: (1) provide \$15 billion in emergency disaster recovery funds; (2) continue government spending as it is until December 8, 2017; and (3) suspend the debt ceiling until the same date. The House of Representatives voted 419-3 in favor of this measure, and Senate adopted it on a vote of 80-17.

On September 14, 2017, Congress reached a major milestone in the budget process when the House of Representatives adopted an omnibus package encompassing all 12 annual appropriation bills (H.R. 3354). This omnibus package will be sent to the Senate for consideration. H.R. 3354 was approved by the House of Representatives by a vote of 211-198 and proposes to provide discretionary funding for all FY 18 federal programs.

The omnibus package remains up for debate in the Senate and the final FY 18 budget will likely differ from what the House approved. However, H.R. 3354 does

set forth parameters from which to monitor budget developments. It is encouraging that the legislation includes funding for the following programs of interest to Long Beach:

- \$467 million for the State Homeland Security Grant Program;
- \$630 million for the Urban Area Security Initiative;
- \$500 million for Byrne Justice Assistance Grants (an increase of \$104 million);
- \$2.8 billion for Army Corps navigation projects and studies, including \$1.34 billion in funding from the Harbor Maintenance Trust Fund; and
- \$2.4 billion for grants for Homeless Assistance, equal to the level provided in FY 17.

While the legislation funds a number of key programs proposed for elimination by the President, the omnibus package would decrease funding in these areas:

- Overall funding for the U.S. Department of Housing and Urban Development. The bill provides \$38.3 billion, a decrease of \$487 million below the FY 17 enacted level; however, funding for Housing Choice Vouchers remains relatively stable compared to FY 17 levels at \$18.7 billion;
- The bill contains \$6.6 billion for Community Planning and Development programs, but this represents a \$209 million decrease below the FY17 enacted level;
- Community Development Block Grants are funded at \$2.9 billion, \$100 million below FY 17 levels;
- The HOME Investment Partnerships Program is funded at \$850 million, \$100 million below FY 17; and
- Elimination of TIGER grants, which were funded at \$500 million in FY 17.

Next Steps

City staff will continue to monitor developments regarding the federal budget. If you have any questions, please contact Diana Tang, Manager of Government Affairs, at 562-570-6506.

cc: Mayor and Members of the City Council
Charles Parkin, City Attorney
Laura Doud, City Auditor
Tom Modica, Assistant City Manger
Kevin Jackson, Deputy City Manager
All Department Directors
Rebecca Jimenez, Assistant to the City Manager
Diana Tang, Manager of Government Affairs
Dentons