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FEBRUARY 13, 2018

White House Releases Fiscal Year 2019 Budget (Plus an Infrastructure Proposal)

Fiscal Year 2019 Budget

The White House has unveiled President Trump's budget proposal for Fiscal Year 2019, entitled *Efficient, Effective, Accountable: An American Budget*.

The Administration has worked for months on the budget proposal and could not have predicted last week's passage of the *Bipartisan Budget Act of 2018* (BBA) increasing spending caps for Fiscal Years 2018 and 2019, so the White House has also released an addendum to the budget reflecting those new spending caps. The Office of Management and Budget (OMB) also released a document on *Major Savings and Reforms* in the budget that can be found here.

OMB Director Mick Mulvaney has said, with regard to the need for an addendum, "This may be the most complicated budget anyone's ever going to do."

As noted in the addendum, the Administration supports the newly increased spending caps for defense spending in the BBA, but does not support the increased levels for non-defense programs. As a result, the president has proposed FY19 spending for defense at the new spending cap of $716 billion; but for non-defense spending is proposing $540 billion of spending, which is $57 billion below the spending caps approved last week in the BBA.

As with all presidential budgets, the plan released by the White House is best viewed as an indicator of the Administration's priorities. Once the House and Senate appropriations committees begin their work on the FY2019 appropriations bills, we'll learn more about how both Republicans and Democrats would like to see federal dollars spent in the next fiscal year. Democrats are likely to raise strenuous objections to non-defense spending reductions, particularly for the Environmental Protection Agency which sees funding slashed by more than a third. For Republicans, the challenge will be that the budget does not have as a goal elimination of the federal deficit or to balance the federal budget over the next decade, both of which have been standards of GOP fiscal orthodoxy.

Some selected policy area highlights from the proposed budget follow below. We are available to discuss any questions you may have.

Education

The President's FY 2019 budget request for the Department of Education looks at individuals within the Every Student Succeeds Act (ESSA), the Individuals with Disabilities Education Act (IDEA), the Higher Education Act (HEA) and financing issues within higher education. The President's FY 2019 budget requests $59.9 billion for the Department of Education, a $7.1 billion (10.5 percent) decrease from the 2017 enacted level. The focus of the President's budget is to decrease federal influence and give more funding back to states and localities to use at their own discretion. The budget also supports the implementation of school-based opioid abuse prevention strategies by investing $43 million for School Climate Transformation grants that can be used for school mental health, substance use disorder issues, training, and prevention.

By investing $1.1 billion in the Opportunity Grants program, the budget aims to create mechanisms that will allow for more choice as well as the ability to leverage Title I grants to allow for public school choice. The budget level funds the Individuals with Disabilities Education Act (IDEA) at $12.8 billion, and has opted to continue to fund discretionary grants at approximately $222 million. These discretionary grants can be used by states, institutes of higher education, and other nonprofit organizations to support research initiatives, technical assistance and personnel preparation.

The administration vocalized its support for the reauthorization of HEA in its FY 2019 budget, and it's important to note that the Senate Health, Education, Labor and Pensions (HELP) Committee is currently in the process of drafting its own bipartisan rewrite of HEA. Along the lines of higher education, the FY 2019 budget requires colleges and universities to have shared accountability for repayment of federal student loans. It also reforms student loans by placing a cap on a borrower's monthly payment. The budget also increases Pell Grant eligibility to include high-quality short –term programs.

Disability

Vulnerable populations in this country review the President's budget carefully each year, because it articulates the Administration priorities going forward. For the population of children and adults with functional limitations and/or special health care needs, it becomes the integration of a number of human service programs that form the foundation of support necessary to be a participating member of society.

The President's budget proposes $540 billion for non-defense spending, which is $57 billion below the new cap set in the 2 year budget deal. A number of programs important to vulnerable populations have been reduced or cut as a result of this decrease.

In education, there is increased funding for IDEA, which together with increases in early intervention and preschool support the foundation of learning for children with disabilities, however those increases are made possible by eliminating 17 other education programs. In healthcare, the decreased funding of Medicaid and the open ended flexibility offered to states to reconfigure their program is creating major anxiety for consumers. Elimination of training and outreach programs within the Ryan White, the domestic HIV/AIDS program, is worrisome during this time of increases in co-occurring HIV, Hepatitis and Opioid use. However, the White House does support and encourage the reauthorization of the Ryan White program.

The combination of increased funding for vocational rehabilitation in the Education budget and increased funding for apprenticeship programs in the Labor budget, gives a positive message to executing the commitment to job training and career planning, through the high school to post- secondary pipeline. This is a positive advance for youth with disabilities as they move from school to adult life, as well as adults with functional limitations --- so they can maintain being productive, contributing members of their communities.

Health Care

In health care, the President's budget focuses on prescription drug pricing and opioid funding. It included a number legislative proposals relating to Medicare Part D, as well as the creation of a Medicaid demonstration program allowing states to test new financing structures to cover prescription drugs. It also includes a focus on repealing and replacing the Affordable Care Act (ACA) specifically referring to the last ACA repeal and replace proposal (i.e. Graham-Cassidy). The budget also includes Medicaid per capita caps and block grants, repeal of the Medicaid expansion, and increasing state flexibility in administering Medicaid. In Medicare, the budget includes a focus on Medicare hospital payments, including changes to Graduate Medical Education (GME) and Medicare bad debt payments. In regard to the Marketplace, the budget referenced a provision in Graham-Cassidy, which provided $1.12 trillion block grant to states to cover individuals in a design of the state's choice. Additionally, the budget proposes appropriating CSR payments for FY 2018 through the end of calendar year 2019. Proposals in the budget that are regulatory in nature are definitely items we need to watch, and it is likely they would be approved and implemented under this Administration. However, it is important to remember that any changes that require legislation is a high bar to meet, especially in an election year.

Read on for more details from ML Strategies on the budget and health care.

Telecommunications

The administration's budget proposal includes $9.9 billion in funding for the Department of Commerce, which would include $33.6 million in funding for the National Telecommunications and Information Administration (NTIA). Furthermore, the administration states that it supports NTIA's mission of evaluating and ensuring the most efficient use of spectrum resources by government users and supports the commercial sector's development of next generation wireless services, including 5G and the Internet of Things (IoT).

With regard to rural broadband deployment, the budget recognizes that electronic connectivity is critical and access to affordable high-speed internet in rural and tribal areas still lags behind that of urban areas. As a result, the budget proposes $30 million to fund broadband grants, $23 million in broadband loans, and $24 million to fund distance learning and telemedicine grants.

Additionally, the budget proposes $333.1 million for the FCC, up from the $322 million proposed last year, and $309.7 million for the FTC, about $3 million more than last year's request.

The budget also includes two spectrum-related provisions. The first calls for auctions of airwaves below 6 GHz, the other would charge fees to holders of spectrum licenses.

The infrastructure proposal, discussed below, includes several telecommunications-related proposals, including:

The creation of the Rural Infrastructure Program, funded at $50 billion, to encourage States to collaborate with local and private investments for the completion of rural infrastructure programs, including broadband projects. Program funds are to be distributed as block grants and are to be used for infrastructure projects in rural areas with populations of less than 50,000.

Additionally, the administration's infrastructure plan establishes a "one agency, one decision" environmental review structure. Currently, the law requires that wireless deployment complies with both the National Environmental Policy Act (NEPA) and the National Historic Preservation Act (NHPA). The administration's plan would amend the law to expedite small cells and Wi-Fi attachments and would eliminate unnecessary reviews. Eliminating these reviews will encourage 5G expansion, especially in rural areas. Moreover, the proposal would establish a firm deadline of 21 months for lead agencies to complete their environmental reviews through the issuance of a Finding of No Significant Impact (FONSI) or Record of Decision (ROD) and a deadline of 3 months following a FONSI or ROD for Federal agencies to make decisions with respect to the necessary permits.

Lastly, the infrastructure plan proposes to expand the eligibility of the use of Private Activity Bonds (PABs) to include rural broadband service facilities. Current law includes a limited list of exempt facilities eligible to be financed with tax-exempt bonds. According to the administration, this limits the potential financing tools that can be used to facilitate performance-based infrastructure and amending the law would encourage more private investment in projects that benefit the public. Other new categories eligible for PABs would include flood control and storm water facilities and hydroelectric power generating facilities, among others.

Infrastructure Proposal

Today the White House also released the long-awaited infrastructure plan, which proposes $200 billion in direct federal spending and argues the plan would stimulate at least $1.5 trillion in new investment over the next 10 years.

Of the $200 billion: $100 billion will create an Incentives Program to spur additional dedicated funds from States, localities, and the private sector; $20 billion will be allocated to expanding infrastructure financing programs with $14 billion going toward expansion of TIFIA, WIFIA, RRIF, and rural utility lending, and $6 billion toward expanding PABs; and $10 billion will go to a new Federal Capital Revolving Fund intended to reduce inefficient leasing of Federal real property which could be more cost-effective to purchase.

Furthermore, the Transformative Projects Program would receive $20 billion for "bold, innovative, and transformative infrastructure projects that could dramatically improve infrastructure." Eligible projects for funding include transportation, clean water, energy, and broadband sectors, among others. Participants of the program must demonstrate how they would significantly improve the safety, reliability, and frequency of service speed, substantially reduce user costs, and improve services. This program would be run by the Department of Commerce with an interagency selection committee composed of representatives of relevant Federal agencies when choosing grantees.

Infrastructure has long been viewed as an area for bipartisan cooperation, with many last year saying it had been a missed opportunity to not tackle infrastructure at the outset of the new congress and administration.

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