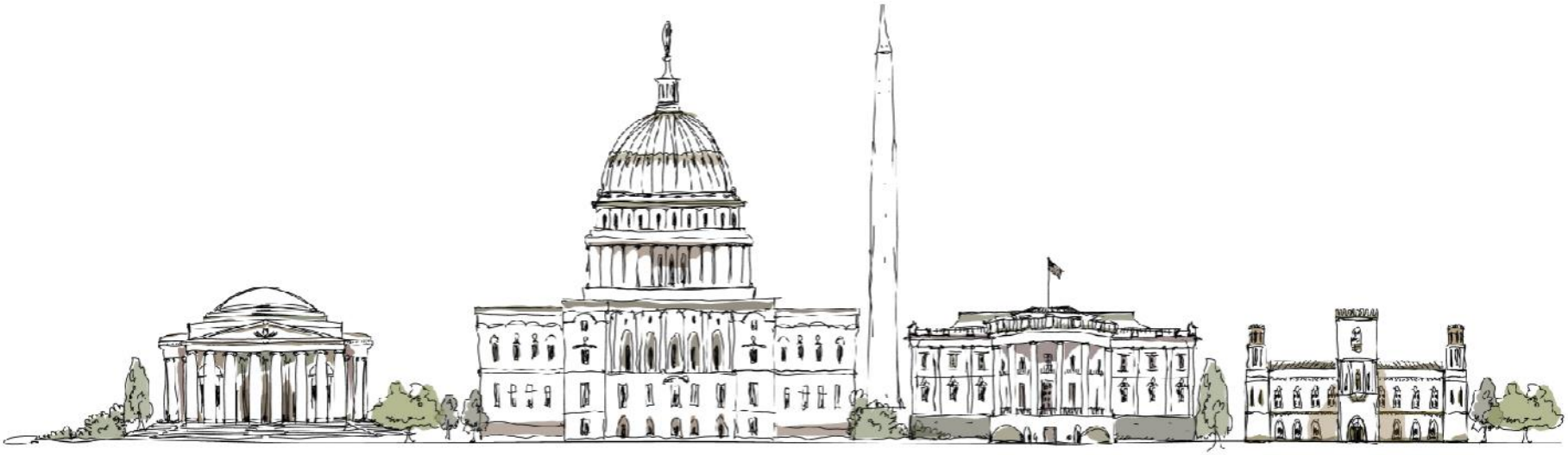


Trends in Federal Funding: An Uncertain Outlook

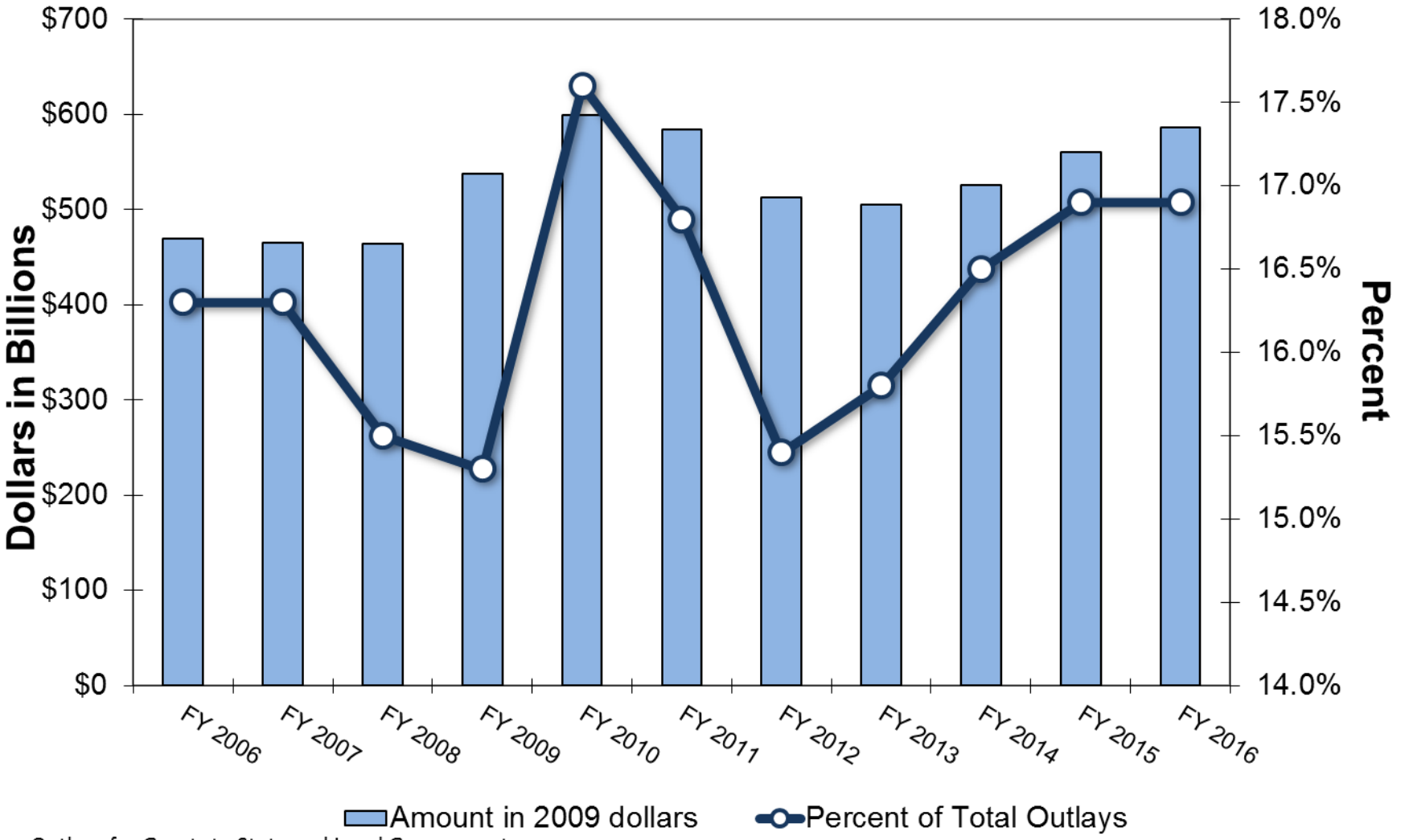
Federal Funds Information for States
www.ffis.org

DC Grants Conference
July 2017

Trends in Federal Funding

Overview

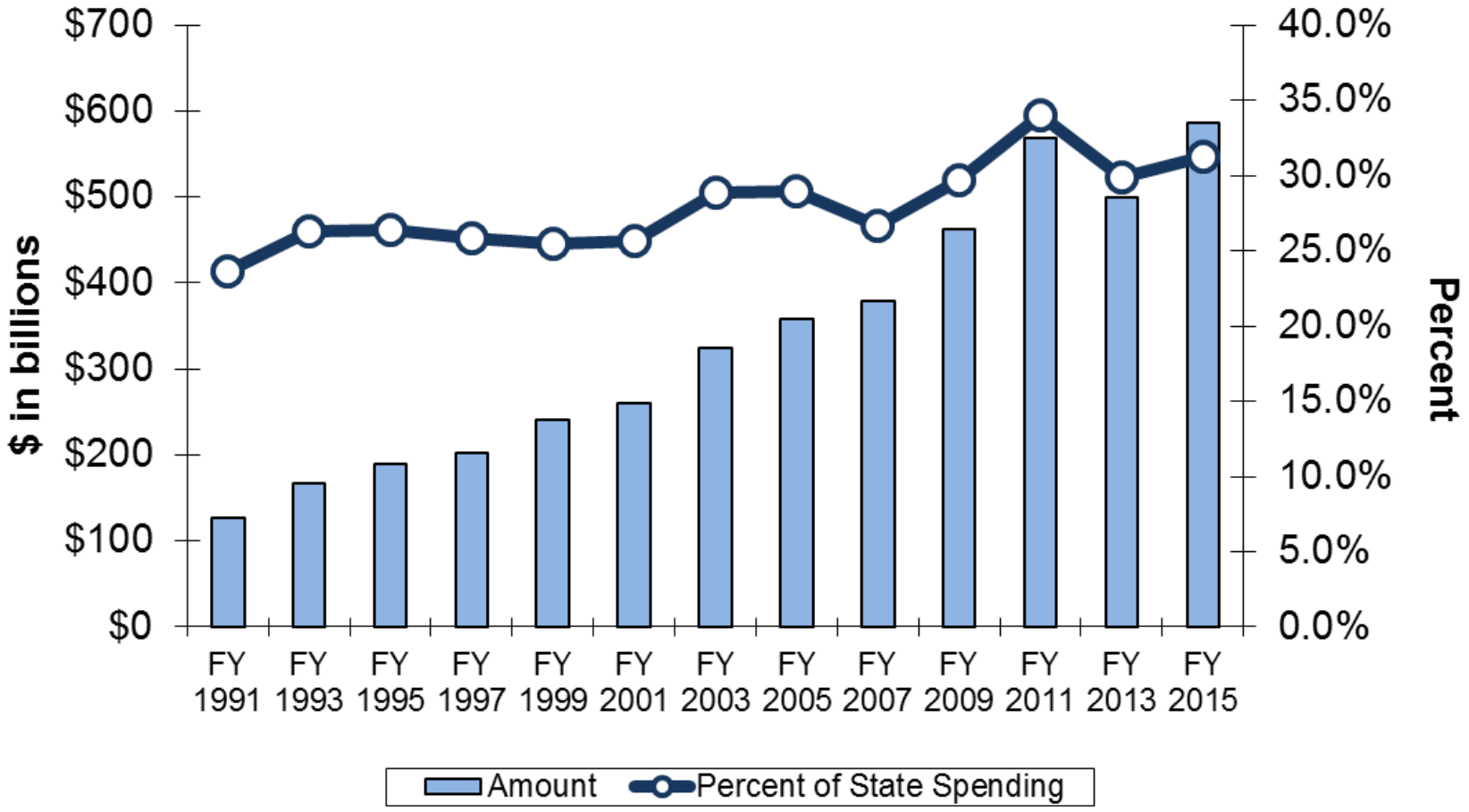
Grants play a minor role in federal spending…



Outlays for Grants to State and Local Governments

Source: OMB Historical Tables, FY 2017

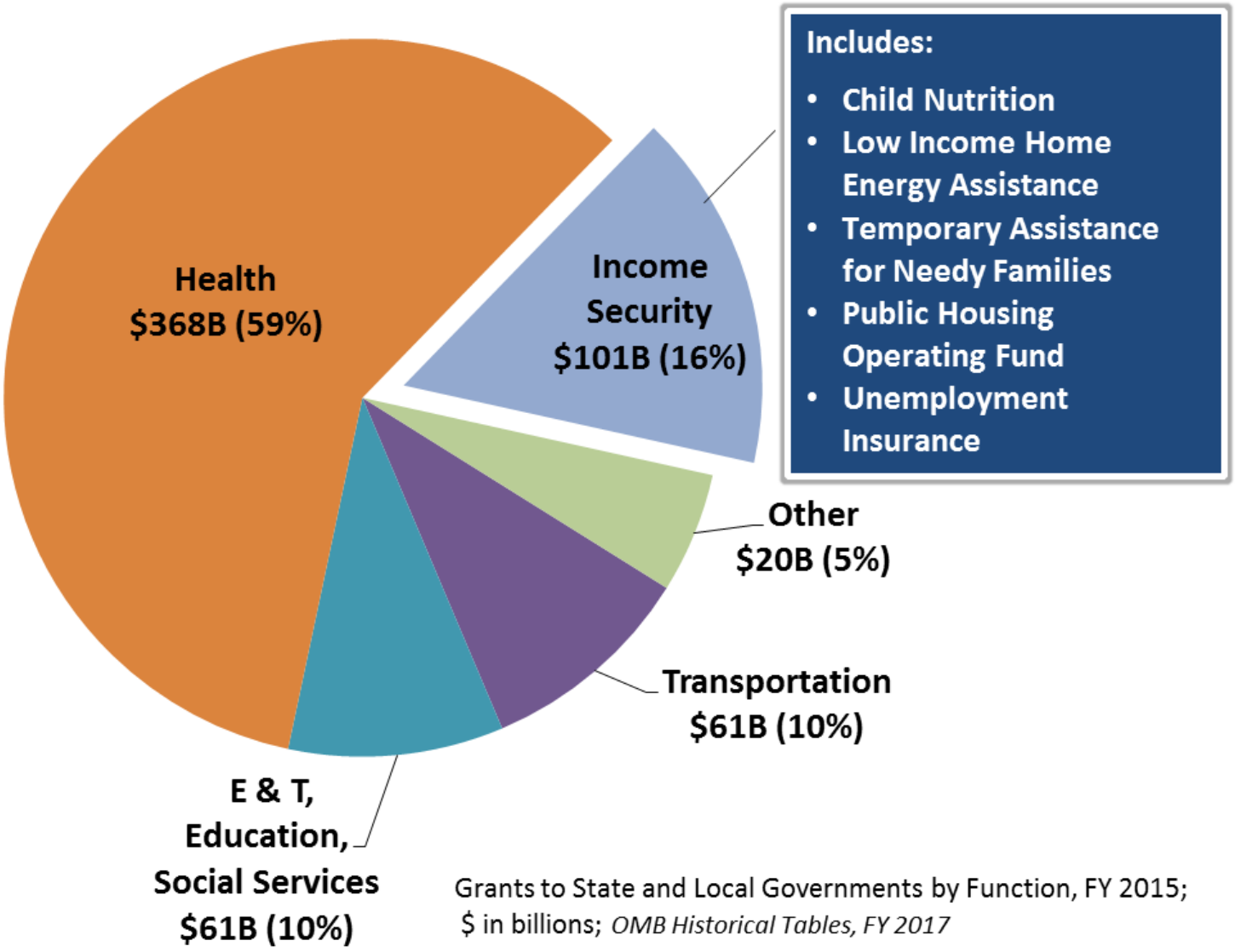
…but a large and growing role in state budgets



Federal funds as a share of state spending

Source: NASBO State Expenditure Report, various years

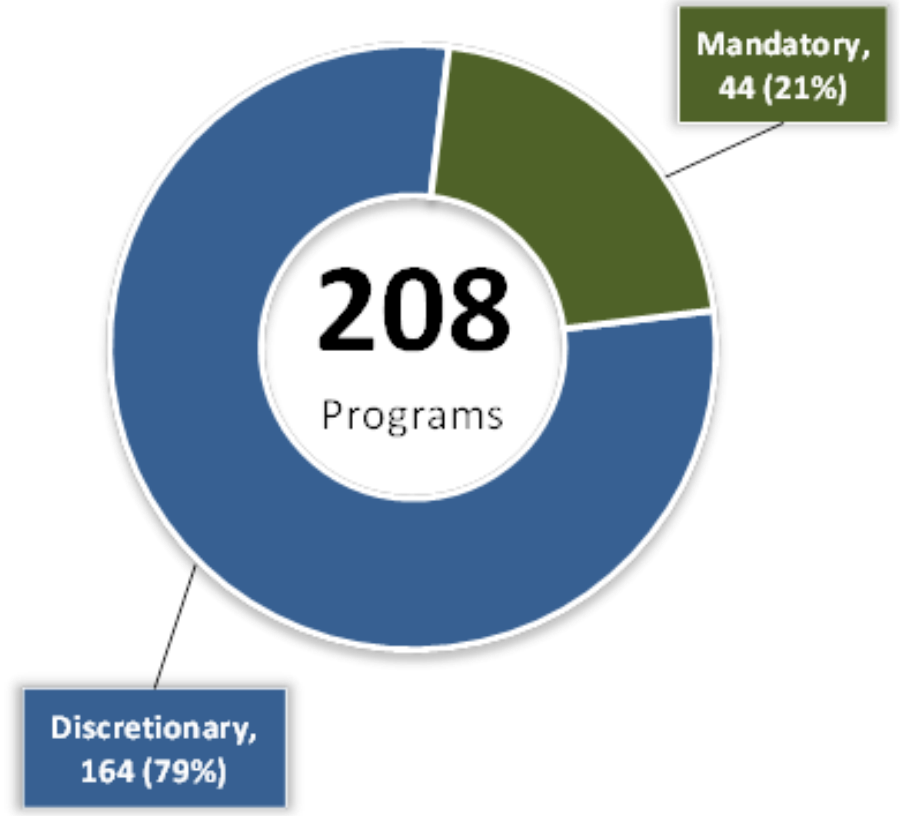
Health dominates



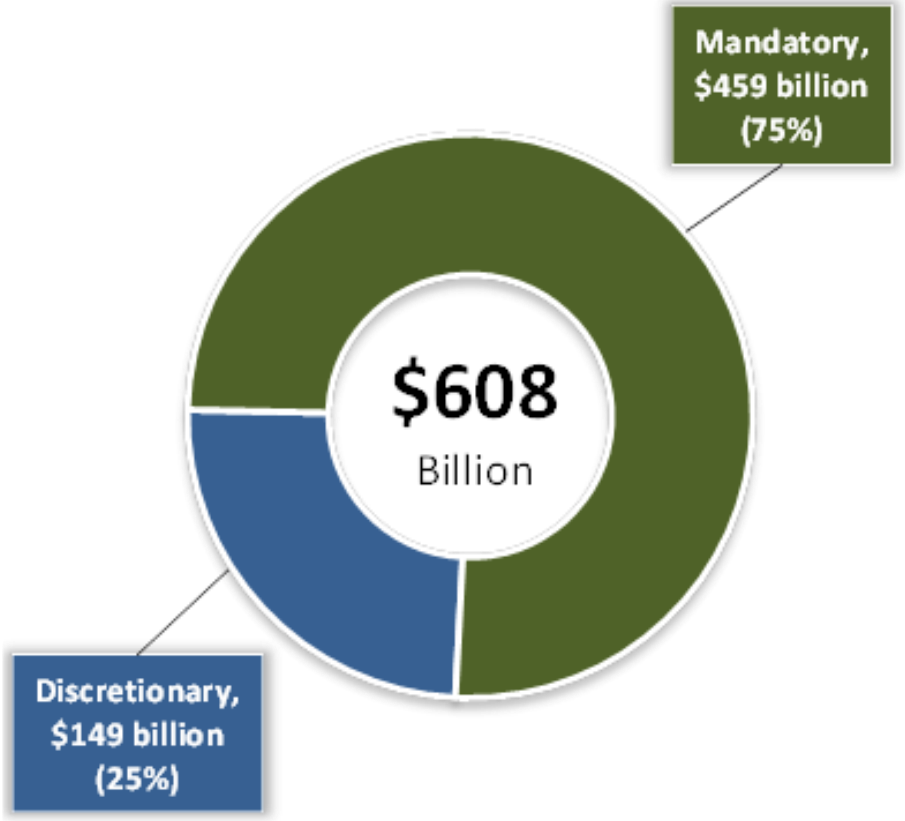
Grants to State and Local Governments by Function, FY 2015; $ in billions; *OMB Historical Tables, FY 2017*

Most grants are discretionary, but most funding is mandatory

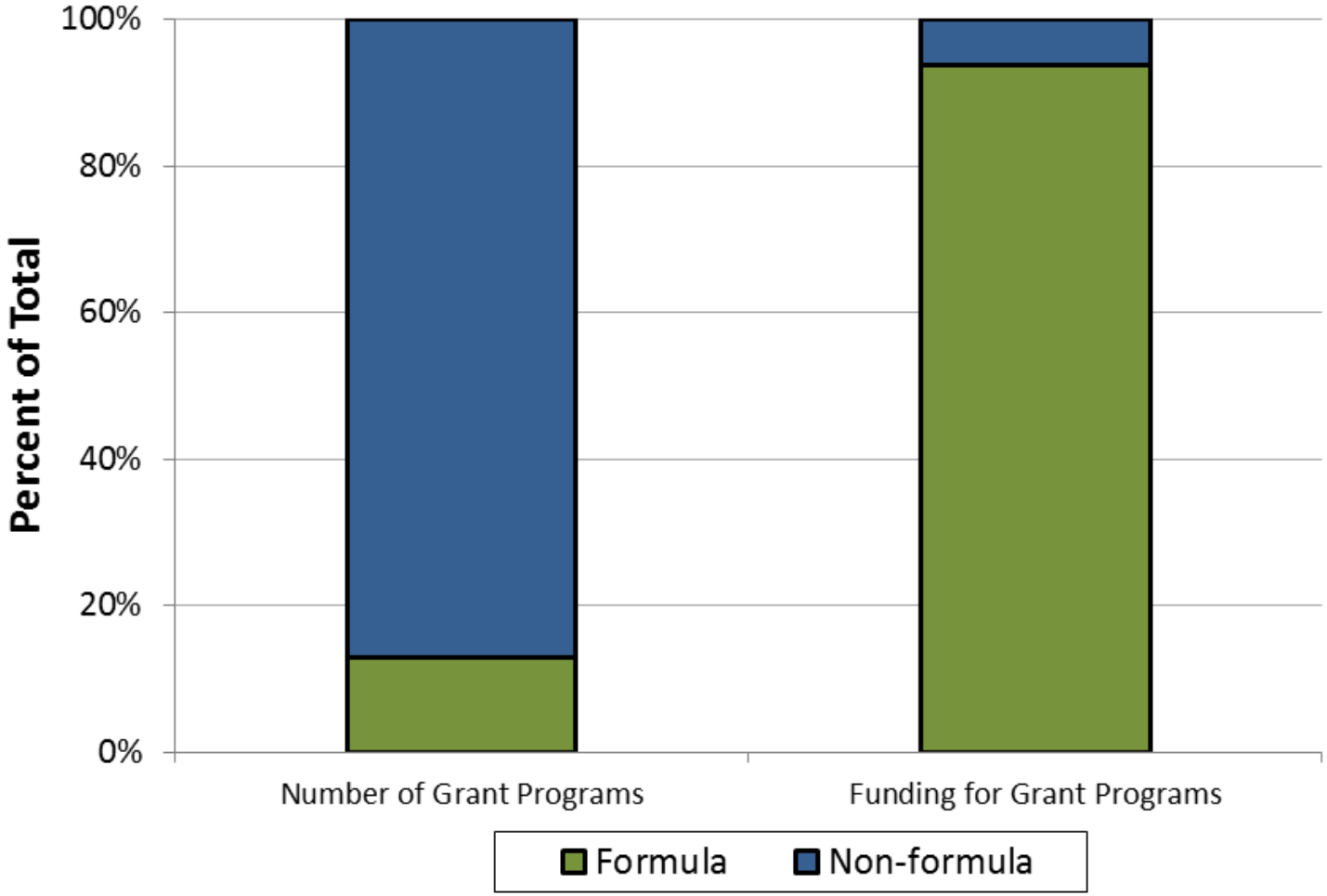
Distribution of Grants by Type, FY 2015



Distribution of Grants by Funding, FY 2015



Most grants are competitive, but most funding is by formula



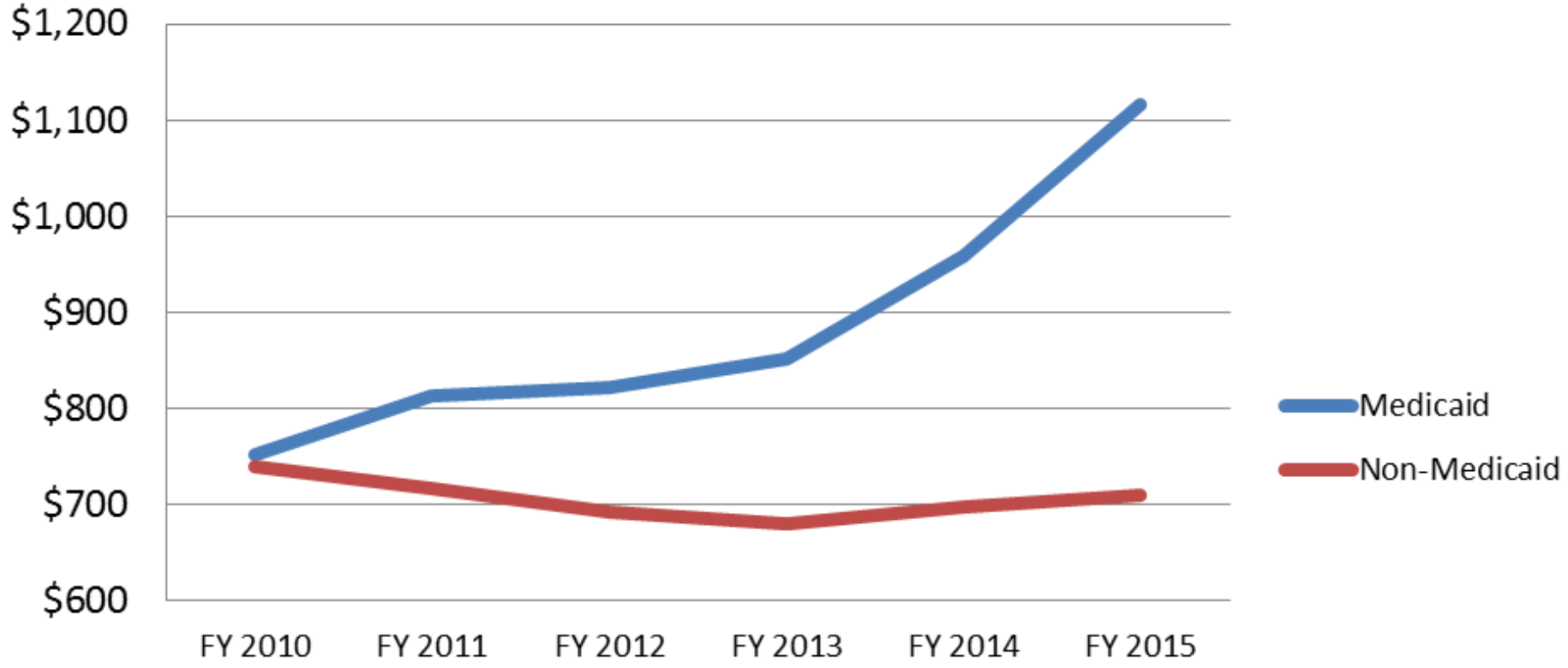
Source: FFIS Grants Database, OMB Analytical Perspectives, FY 2016

10 largest grants = 79% of total

Rank	Program	FY 2016 ($ in billions)	% of Total	Cumulative Percentage
1	Medicaid	$370	56.1%	56.1%
2	Highway Planning and Construction	43	6.6%	62.7%
3	Section 8 Housing Vouchers	20	3.0%	65.6%
4	TANF	17	2.5%	68.2%
5	Title I - Grants to LEAs	15	2.3%	70.4%
6	CHIP	13	2.0%	72.5%
7	National School Lunch Program	12	1.8%	74.3%
8	Special Education Grants to States	12	1.8%	76.1%
9	Transit Formula Grants	11	1.6%	77.7%
10	Head Start	9	1.3%	79.0%

Source: OMB Analytical Perspectives, FY 2017

The big story in federal aid



Per Capita Federal Grants, FYs 2010-2015

Source: FFIS Database

Winners in the last five years

Notable Increases	Change (FYs 2010-2015) $ (in millions)	Percent
Consolidated Health Centers	$2,829	129%
School Lunch	1,953	20%
Crime Victims Assistance	1,547	375%
Head Start	1,363	19%
School Breakfast	1,035	36%
Adult and Child Care Food	953	40%
Child Support Enforcement	618	17%
Child Nutrition - Commodities	375	28%
FTA - Urbanized Area Formula	362	8%
Child Care and Develop. Block Grant	308	14%

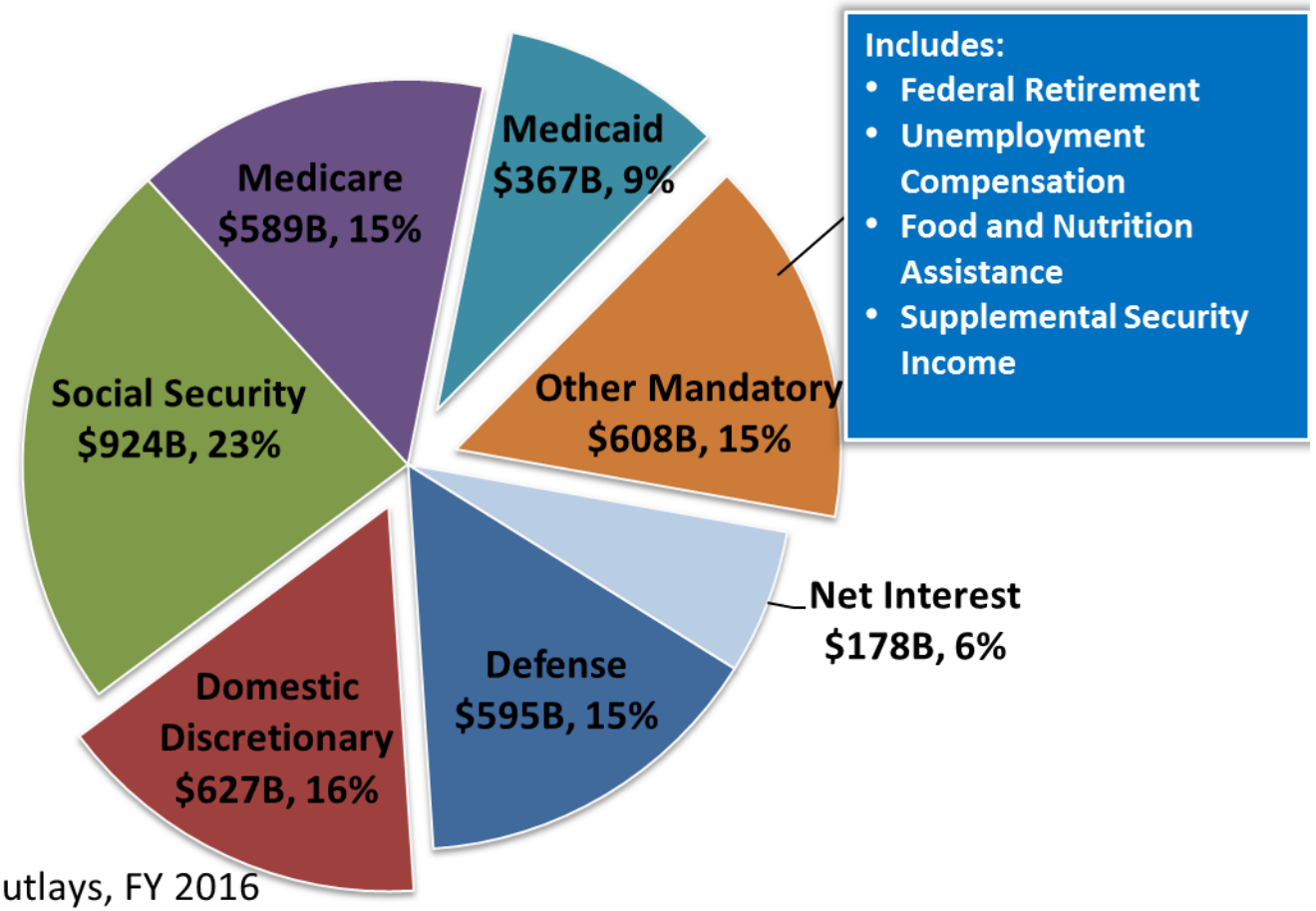
Losers in the last five years

Notable Decreases	Change (FYs 2010-2015) $ (in millions)	Percent
LIHEAP	-$1,710	-34%
Clean Water Revolving Fund	-675	-32%
CDBG - Entitlement (Locals)	-656	-24%
WIC	-629	-9%
Public Housing Capital Fund	-625	-25%
Supporting Effective Instruction	-598	-20%
FTA - Bus and Bus Facilities	-547	-56%
HOME - Locals	-544	-49%
UI State Administration	-542	-16%
EPA Drinking Water	-493	-35%

Trends in Federal Funding

What's on our radar?

Most risks in three areas of federal budget



Federal Outlays, FY 2016

Source: OMB Historical Tables, FY 2017

Timing matters

Spring (cont.)

- FY 2017 budget
  - Finalized budget
  - Reconciliation?
- FY 2018 budget
  - President's full request

Summer

- FY 2018 budget
  - resolution
  - spending bills
  - reconciliation
- Additional ACA changes
- Infrastructure?
- Debt Limit?

Fall

- Finalize FY 2018 budget/CR
- Program expirations
- New fiscal year begins October 1
- Debt limit!

FY 2017 – it's not over yet!

Omnibus

- Passed in May
- Adhered to BCA
- Largely benign for states
- TANF extended 2 years
- Rejected president's proposals

Reconciliation (health care)

- House passed
- Senate?
- Conference?
- The end of Medicaid as we know it?

Elements of health proposals

	House	Senate
Per Capita Caps	• FY 2016 base year • CPI-M, CPI-M +1 (elderly, disabled) • Block grant option (adults, children)	• Flexibility in base year • Growth rate same as House until FY 2025 (CPI-U) • Penalties, rewards • Excludes disabled children • Block grant option (adults)
ACA Expansion	• No new states • Repeals enhanced match, except grandfathered enrollees	• No new states • Phases out enhanced match rate
DSH Cuts	• Eliminates	• Eliminates for non-expansion states • Increases DSH allotments for certain states

Elements of health proposals

	House	Senate
Provider Taxes	N/A	Phases down threshold
PPHF	Eliminates	Eliminates
New Funding	• Patient and State Stability Fund • Federal Invisible Risk Sharing Program • Safety net funding for non-expansion states	• Medicaid quality performance bonuses • Long-Term State Stability and Innovation Program • Short-term assistance to health insurers • State response to opioid crisis • Safety net funding for non-expansion states

FY 2018 president's budget

Modifies BCA

Eliminates many programs

Reduces program funding

Increases select programs

A few new programs

Lots of restructuring

Scores of eliminations

LIHEAP	CDBG	Teacher Quality	SSBG
21st Century	HOME	CSBG	TANF Contingency
TIGER Grants	Student Support/Academic Enrichment BG	Senior Community Service	Preschool Development
Weatherization	Pollution Control	Supplemental Ed. Opportunity	SCAAP

Mandatory proposals

Cut TANF, eliminate contingency fund

Eliminate CHIP match increase

SNAP match, eligibility

Eliminate SSBG

Student loan reductions

Large unspecified Medicaid cuts

FY 2018 Appropriations and the BCA

President

- President would eliminate defense sequestration, reduce non-defense cap by -10% in FY 2018, -2% per year through FY 2027

House

- ~ Level-fund non-defense; +13% defense
- Moving appropriation bills that violate BCA
- Allowing bills to proceed is rejection of PB

Senate

- Bogged down in health care
- May not consider a budget resolution that exceeds discretionary spending limits

BCA is the law of the land

Sequestration = -$109 billion/year (FYs 2013-2021)

Split equally: defense/non-defense;

Divided proportionally: mandatory/discretionary

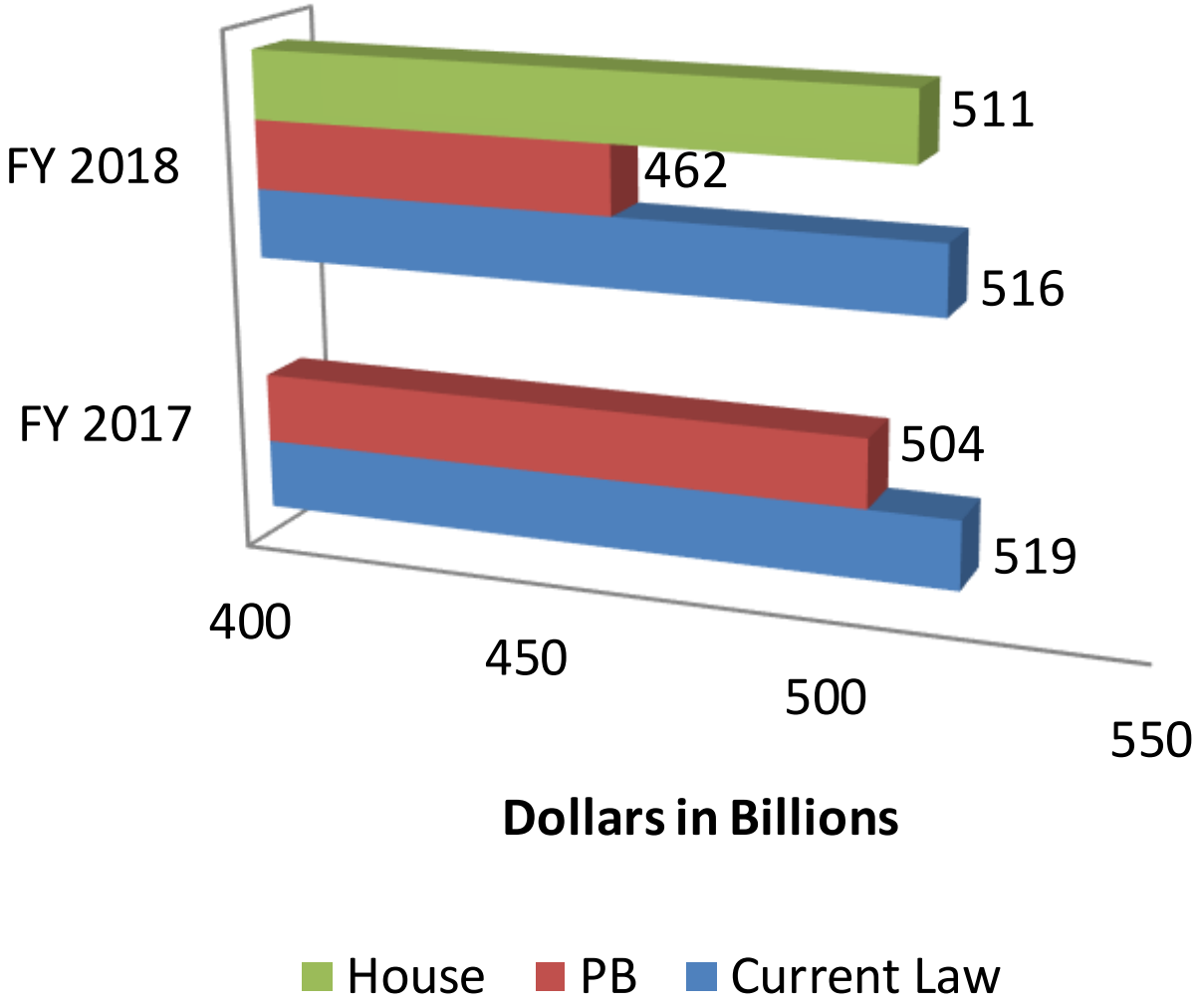
Reduces annual spending caps

Exempts OCO, disaster relief, emergency spending, program integrity

Congress increased caps in FYs 2014-2017

Non-exempt mandatory sequestration through FY 2025

Non-defense discretionary



Other issues in play

Regulatory Reforms

- Revisions to rulemaking process
- Greater transparency
- Reducing costs, burden

Executive Branch Reorganization

- OMB to propose plan
- Eliminate unnecessary agencies, functions, programs
- Public comment period

Sanctuary Cities

- Effort to reduce local grants
- Litigation will delay regulatory actions
- House passed bill, COPS/JAG penalties

Reconciliation, FY 2018 and Beyond

Tax Reform

- Deficit neutral?
- One package or smaller bills?
- State and local tax-exempt bonds, state and local itemized tax deduction

Infrastructure

- Public-Private partnerships preferred tool

Other Mandatory

- TANF
- SNAP
- Others?

Upcoming program expirations

Program	FY 2017 Funding (in millions)
September 30:	
Children's Health Insurance Program	15,952
Community Health Centers (mandatory funding)	3,528
Airport Improvement Program	3,350
Maternal, Infant, and Early Childhood Home Visiting	372
Health Profession Opportunity Grants	79
Personal Responsibility Education Program	70
Abstinence Education	70
Total	**$23,421**

Reiterating the risks

Budget Control Act

- For now, BCA is law
  - slight reductions to defense, non-defense
- With agreement, increases in both

Reconciliation

- Medicaid, taxes, other mandatory programs in play
- No bipartisan support needed, but a tough sell, especially as it gets more complicated

Debt Ceiling

- The “action forcing event” of the year
- Mandatory cuts? BCA? Timing?

FFIS resources

- FY 2018 budget: *The VIP Series, Volume 17 Number 2*
- FY 2018 budget: *Budget Brief 17-09*
- Budget timelines and deadlines: *Budget Brief 17-02*
- BCA: *Budget Brief 16-09*
- Reconciliation process: *Budget Brief 17-01*
- House health care bill: *Issue Brief 17-10*
- FFIS's crystal ball: *Budget Brief 16-11*

Questions?

- Check for updates:
  - www.ffis.org
  - mreese@ffis.org; 202-624-7889