Info Alert

National Conference of State Legislatures
Office of State-Federal Relations

President Signs Two-Year Budget Agreement that Includes $300 Billion in New Spending

Feb. 9, 2017

On Friday, Feb. 9, the president signed a new budget agreement for Fiscal Year (FY) 2018 and FY 2019 that includes an increase of nearly $300 billion to current spending levels. The budget agreement also includes a six-week continuing resolution (CR) to provide Congress time to enact the corresponding appropriations measures.

Additionally, the bill includes long-sought disaster funding that will provide nearly $90 billion in federal aid to help those impacted by a string of recent natural disasters, and extends a number of smaller tax credits that were not included in the Tax Cuts and Jobs Act. Finally, the bill extends the federal debt limit through March 1, 2019.

Additional details concerning the areas of the jurisdiction for NCSL's Natural Resources and Infrastructure Committee (transportation, energy, environment and agriculture) are listed below, and if you have any questions or concerns, please contact NCSL staff Ben Husch and Kristen Hildreth.

Budget Agreement
Domestic non-defense discretionary (transportation, energy, environment, agriculture, etc.) would receive increases of $63 billion in FY 2018, and $68 billion in FY 2019. Domestic defense discretionary would receive $80 billion boost for FY 2018, and another $85 billion in FY 2019. Such annual amounts would be the highest level ever and the greatest since FY 2010 when the federal government enacted significant reductions in federal spending. It's currently unclear as to how these increases will translate to specific program level increases.

Infrastructure
This budget agreement includes a $20 billion boost to infrastructure, $10 billion for both FY 2018 and FY 2019, with broadband as one of many eligible uses for the funds along with surface transportation, rural water and wastewater, clean and safe drinking water. However, details on how this funding would be applied at the program level were not included.

Stay tuned to NCSL for further updates on FY 2018 program funding.

Disaster Assistance
The bill also appropriates nearly $90 billion in emergency disaster assistance for areas impacted by a number of severe natural disasters in recent years including hurricanes, wildfires, regional droughts and coastal fishery disasters. The funding encompasses nearly every federal department to help communities recover, including billions for school rebuilding and repairs, agricultural losses, small business loans, crisis counseling and infectious disease prevention.

Specifically, the disaster bill provides funding to numerous federal agencies including:

- $23.6 billion for the Federal Emergency Management Agency (FEMA).
- $17.4 billion for the U.S. Army Corps of Engineers (USACE) for flood control and other infrastructure projects.
- $515.6 million for the Department of the Interior (DOI).
- $400 million for National Oceanic and Atmospheric Administration (NOAA).
- $63.2 million for Environmental Protection Agency (EPA).
- $119.7 million for the U.S. Forest Service (USFS).
- $21.7 million for the Department of Energy (DOE), including for electric grid assistance.
- $115 million for Federal Aviation Administration (FAA) operations, facilities and equipment.
- $1.4 billion for the Federal Highway Administration (FHWA) Emergency Relief program.
- $330 million for the Federal Transit Administration (FTA) Emergency Relief program for damaged transit systems.

Additional disaster assistance was provided to a host of agriculture producers. The largest block of this funding was directed toward aiding cotton farmers who will now be eligible for additional crop insurance programs to help them recover. The bill also provides disaster aid to livestock producers by removing both the cap on the overall cost of livestock insurance to the federal government. Further, the $125,000 cap on payments to individual producers is removed and insurance coverage is expanded to include animals sold at a lower price in the event of a natural disaster—under current law only death of the animal is covered. Disaster assistance was also provided to West Coast crab and salmon fisheries, which are slated to receive $200 million in aid.

Finally, the bill amends the Stafford Act to allow the federal cost share for certain disaster assistance projects to go from 75 percent to 85 percent if recipients have taken hazard mitigation steps. Such steps could include adopting a mitigation plan, investing in disaster relief and insurance programs, and using building codes and standards that incorporate the most up-to-date hazard-resistant designs.

Energy Tax credits
The bill extends a package of energy tax credits that were not included in the Tax Cuts and Jobs Act, and are expected to cost about $11 billion. The bill extends and modifies both the nuclear production tax credit and the 45Q carbon capture and sequestration break, in addition to extending production tax credits through 2018 for many other energy sources including biomass, geothermal, waste-to-energy and certain qualifying hydro projects. Additionally, fiber-optic

solar, qualified fuel cells and small wind projects can claim the investment tax credit, which will be phased out through 2022. The bill also extends existing tax credits for biofuels, fuel cell vehicles, and plug-in electric vehicles.

While not a tax cut, the bill restores a 9-cent-per-barrel tax on crude oil to fund the Oil Spill Liability Trust Fund, which had expired at the end of last year. In recent years, the oil spill tax has raised an average of $500 million annually, according to the Congressional Research Service.

Spending Offsets

The overall bill has a number of provisions that would provide "savings" by reducing the overall cost of the bill. The largest "savings" comes from a provision to extend the mandatory sequester through FY 2028 saving an estimated $53 billion. An additional $8.5 billion comes from raising user fees for federal government services, $3.3 billion from increasing aviation security fees, and an estimated $6.3 billion from the sale of crude oil from Strategic Petroleum Reserve (SPR). Language extending several Medicare policies is estimated to provide $38 billion in offsets, and a cap on the Federal Reserve's surplus will provide an additional $2.5 billion.