Info Alert

National Conference of State Legislatures
Office of State-Federal Relations

President Releases FY 2018 Budget

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On May 23, President Donald Trump released his FY 2018 budget proposal, A New Foundation for American Greatness. Overall, the budget recommends cutting nondefense discretionary by $54 billion, or about 10.4 percent while providing a similar increase to the Department of Defense. Final authority for enacting federal appropriations resides with Congress, although the president's budget proposal provides an opportunity for the administration to present its priorities for federal spending. NCSL developed the summaries below based on funding levels for key agencies and programs within the jurisdiction of the Natural Resources and Infrastructure Committee.

As a reminder, federal fiscal year (FY) 2018 begins Oct. 1, 2017, just over four months away. As Congress has yet to begin its FY 2018 budget process, it remains unclear if it will enact a full budget by then. Additionally, in late April, Congress approved the FY 2017 spending bill following more than six months of continuing resolutions. The final FY 2017 omnibus provided increases to many programs and grants. A full summary of those areas covered by the NRI Committee can be found here.

Although FY 2017 funding levels have no direct bearing on FY 2018, they do provide valuable context of congressional spending priorities. If you have any questions or concerns, please contact NCSL staff Ben Husch (202-624-7779) or Kristen Hildreth (202-624-3597).

Department of Transportation (DOT)

Overall, the president's budget proposes to reduce discretionary funding to DOT from $19.3 billion in FY 2017, to $16.2 billion for FY 2018, a 19.1 percent reduction. Most important, funding from the Highway Trust Fund would match that authorized by the 2015 FAST Act, including $44 billion in highway formula funding and $11 billion in transit formula funding. Within the discretionary total, the proposal includes $1.2 billion for transit, a cut of 50 percent from FY 2017. Additionally, funding for TIGER grants would be eliminated, a reduction from

$500 million in current funding. Funding for Amtrak would be reduced by approximately 50 percent to $774 million in FY 2018 from $1.5 billion in FY 2017.

Infrastructure Initiative

One noteworthy item included in the budget is a proposal to spend an additional $200 billion over nine years on "infrastructure." The proposal includes $5 billion in funding in FY 2018, which would increase to $25 billion in 2019, $40 billion in 2020 and $50 billion in 2021 before declining back down to zero by FY 2027. The budget does not provide specifics, however, as to how such funds would be appropriated—existing funding mechanisms or something new.

Further, the budget also included a fact sheet on the administration's infrastructure initiative. The document described the administration's belief that the current system of federal funding is not working. Although it does not define infrastructure, the document mentions infrastructure systems covering transportation, drinking water and wastewater, energy, veterans affairs and inland waterways.

Overall, the goal of the administration is to seek long-term reform on how infrastructure projects are "regulated, funded, deliver and maintained." It noted four key principles in moving forward: targeted federal investments; support community independence; aligning infrastructure investment more efficiently; and leveraging the private sector.

In addition to these principles, the administration also plans to support several funding proposals, many of which NCSL has supported in the past, as part of its formal infrastructure initiative to be unveiled later this year:

- Expansion of Transportation Infrastructure Financing and Innovation Act (TIFIA) program. TIFIA helps provide low cost loans and loan guarantees to transportation infrastructure projects.
- Lifting the cap on private activity bonds to help finance public-private partnerships.
- Incentivizing innovative approaches to congestion.
- Lifting restrictions on states' abilities to toll.
- Fund EPA's Water Infrastructure Financing and Innovation Act (WIFIA) program. Similar to DOT's TIFIA program but for drinking water and wastewater projects
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The document states the administration's concerns with using a "cash budget" to pay for infrastructure projects.

This would be accomplished through the implementation of a federally controlled capital revolving fund as well as the ability to provide grants to nonfederal partners to improve federally owned infrastructure systems.

Finally, the fact sheet outlines changes the administration supports concerning the environmental review and permitting process for infrastructure. Such proposals include both moving to a system of a single federal decision as well as removing a federal decision requirement when appropriate.

Additionally, the administration proposes reforming the judicial review process as it pertains to the environmental reviews.

U.S. Army Corps of Engineers

The budget proposes to reduce discretionary funding for the U.S. Army Corps of Engineers to just over $5 billion compared to $6 billion in FY 2017, a 16 percent reduction. Of this, $1.02 billion is allocated for construction—a reduction of more than 50 percent from FY 2017. The Corps would also see a 29 percent reduction in its investigations account, reducing its ability to lay the groundwork for new water resources projects. Its regulatory budget would remain level at $200 million. Additionally, the proposal also seeks to put all revenues collected under the Inland Waterways Trust Fund to use.

Environmental Protection Agency (EPA)

The president's budget proposes a significant reduction in the agency's discretionary funding from $8.2 billion in FY 2017, to $5.7 billion in FY 2018. Within this total, categorical grants allocated to states, which fund state environmental program offices and activities related to the Clean Air Act, Clean Water Act, and Safe Drinking Water Act, will see a reduction to $597 million in FY 2018, a nearly 45 percent reduction from FY 2017. Additionally, $1.8 billion was proposed for agency environmental programs and management in FY 2018, more than $800 million less than FY 2017's allocation of $2.6 billion. Funding for air quality management programs, which includes the agency's air toxics program and support for the development of state implementation plans, will be reduced by 24 percent from $132 million in FY 2017 to $100.4 million in FY 2018.

State Revolving Funds (SRF), which provide low-interest loans for water infrastructure projects are proposed to be modestly expanded—less than a 1 percent increase.

Other funding reductions include the Office of Enforcement and Compliance Assurance, which would see its funding reduced by nearly 24 percent to $419 million in FY 2018. Funding for EPA's Hazardous Substance Superfund Account sees a request of $762 million, a significant decrease from the $1 billion in FY 2018.

The proposal also calls for the elimination of all of EPA's geographic programs such as the Great Lakes Restoration Initiative and the Chesapeake Bay Program in FY 2018, delegating protection and restoration activities to states and localities.

Department of Energy (DOE)

The budget calls for the DOE funding to be reduced by 9 percent from $31.18 billion to $28 billion in FY 2018. Within this, funding budget calls for the elimination of the Weatherization

Assistance Program, and the State Energy Program Grant, both of which were recently funded at $228 million, and $70 million, respectively in 2017. The budget also proposes to eliminate the Advanced Research Project Agency-Energy (ARPA-E) program– the program was allocated $290 million in FY 2017.

The Department's Office of Energy Efficiency and Renewable Energy, which oversees DOE's regulatory role in setting efficiency standards for appliances and buildings, while also supporting research in clean energy technologies, would be reduced from over $2 billion in FY 2017 to $636 million in FY 2018. The Nuclear Energy Office would also see a reduction of about 30 percent, from nearly $1 billion in FY 2017. Additionally, unlike the recently enacted FY 2017 budget, the proposal includes $90 million to restart licensing activities for the Yucca Mountain nuclear waste repository, and to initiate an interim storage program.

The budget also proposes reducing the Strategic Petroleum Reserve by half, which budget documents assume will reduce the federal deficit by $16.5 billion over 10 years. The administration anticipates oil and gas leasing in the Arctic National Wildlife Refuge to raise $1.8 billion by 2027, and calls for repealing state payments authorized under the 2006 Gulf of Mexico Energy Security Act, which allows states a share of drilling royalties generated in federal waters off their costs which is anticipated to lower the deficit by $3.5 billion within 10 years.

Department of Health and Human Services (HHS)

The proposal eliminates all formula grants for the Low-Income Home Energy Assistance Program (LIHEAP). The program was funded at $3.9 billion in FY 2017, and is an assistance program that helps low-income households pay for heating or cooling in their homes. The program aids in managing costs associated with home energy bills, energy crises, weatherization and energy-related minor home repairs.

U.S. Department of Agriculture (USDA)

Overall, the budget proposes to reduce USDA funding from $153.4 billion to $137 billion, a reduction of 11.9 percent. Not including mandatory funding (SNAP, crop insurance and other farm support programs) discretionary funding to USDA would be reduced from $20.9 billion in the current year to $18.0 billion for FY 2018, a 13.9 percent reduction. Within discretionary funding, rural development funds would be reduced by 26 percent while food safety funds and forest service, including wildfire funding, would remain about even. The budget also proposes to eliminate funding for local food promotion program that was created as part of the 2014 Farm Bill.

In addition to these discretionary levels, the budget includes a number of mandatory funding proposals including capping subsidies to crop insurance premiums which would save $16.2 over 10 years.

Department of Interior (DOI)

Overall, the budget proposal recommends $11.7 billion for the department in FY 2018, 11 percent less than current funding. Within the department, the Bureau of Land Management is proposed to be funded at $1.1 billion for FY 2018, a $200 million decrease from FY 2017. The Fish and Wildlife Service is proposed to be funded at $1.3 billion for FY 2018, a reduction of more than $200 million from the $1.51 billion allocated for FY 2017 and the National Park Service would receive $2.55 billion for FY 2018, a reduction of nearly $360 million from FY 2017.

The Bureau of Ocean Energy Management would see its budget to offer offshore drilling and wind development leases remain flat at $171 million, and the Office of Surface Mining's budget would fall 11 percent to $109 million.

Additionally, while the administration would fund wildfire suppression at the 10-year average of costs, it proposes eliminating the FLAME Wildfire Suppression Reserve Fund.

While circumstances may change in the future, it is the opinion of NCSL NRI Committee staff that the likelihood of this budget proposal being enacted is quite low.