

State-Federal Update

SALT Spring Meeting - Providence

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Photo: USDA



Debt Compromise

House Voted on Wednesday 314-117 to pass H.R. 3746, “Fiscal Responsibility Act of 2023”.

- Bipartisan – House: GOP: 149-71; Dems: 165-46. Senate: GOP: 17-31; Dems: 45-4; Independent: 2-1
- House - Closed Rule that saw only technical amendments – i.e. clean bill. Amendments submitted but failed under the rules process
- Senate – 11 amendments all failed. Majority and Minority Leader made promises that were inserted into the congressional record, non-binding.



Photo: Washington Post



What's in H.R. 3746

- Projected 2024 budget before the deal: \$6.4 trillion.
- Current 2023 discretionary spending: \$1.602 trillion.
- Deal discretionary 2024 spending: \$1.59 trillion.
- Total 2024 cut from 2023 levels via caps: \$12 billion.
- Non-defense cut from 2023 levels: \$40 billion.

Source: Bloomberg/Congressional Budget Office and legislative text; Note: Does not include emergency spending.



What's in H.R. 3746

- Topline for FY24 and FY25 is roughly Topline for FY23.
- Slight increase in Defense and Veteran Benefits: ; \$886 billion for defense, 3% increase, \$121 for veteran's medical care, and \$637 for non-defense programs after "adjustments".
- Rescissions of COVID-19 Funding.
- IRS rescission and reprogramming.





What's in H.R. 3746

- TANF - The measure would change to 2015, from 2005, the base year used to determine Assistance for Needy Families (TANF) recipients. The change for state's required work participation rate for Temporary change would take effect on Oct. 1, 2025. It would also create a pilot program to establish transitions off TANF.
- SNAP - The measure would expand work requirements. Under current rules, individuals ages 18 through 49 can't receive SNAP benefits for more than three months in three years if they don't meet additional work requirements. The measure would increase the age limit to adults ages 50 to 52 in fiscal 2024 and then up to age 54 beginning in fiscal 2025, according to CBO.





Rescissions and Reprogramming

- Rescissions: Return of unobligated funds to the U.S. Treasury.
- Reprogramming: Congress grants additional authority for or provides directive to the administration to transfer funds dedicated to one program to another program.

White House Circulator of Rescissions

Agency	Account	Program/Activity	Estimated Rescission Amount (\$M)	Notes and Context
CNCS	485-00-2728	Operating Expenses	286.96	Rescinds funds for grants to states and organizations that have not yet been announced, and for pre-service AmeriCorps VISTA candidates.
DOL	012-05-0179	State Unemployment Insurance and Employment Service Operations	1,000.00	Rescission targeted to protect state grants aimed at combating fraud and identity theft. Roughly \$500 million will remain after the rescission.
DOT	021-15-0548	Highway Infrastructure Programs	2,242.86	This is a rescission of FY2021 Omnibus resources and would not impact IJA resources.
DOT	021-04-0110	Aviation Manufacturing Jobs Protection Program	1,741.19	Program largely concluded.
ED	018-10-0251	Education Stabilization Fund	391.93	Program largely concluded. Remaining funds come from recoveries.
HHS - ASPR	009-90-0140	Public Health and Social Services Emergency Fund	10,419.53	Rescission targeted to protect priority investments like next generation vaccines, test procurement capacity, long COVID research, and other critical needs. Roughly \$10 billion will remain after the rescission.
HHS - ASPR	009-90-0150	Defense Production Act	864.14	Rescission targeted to protect priority investments like strengthening pharmaceutical supply chains. Roughly \$800 million will remain after the rescission.
HHS - CDC	009-20-0943	CDC-wide Activities and Program Supports	1,739.00	Rescission targeted to protect priority investments like genomic surveillance and investments in vaccine safety and effectiveness. Roughly \$1.5 billion will remain after the rescission, in addition to about \$500 million in the Infectious Diseases Rapid Response Reserve Fund.
HHS - FDA	009-10-9911	Vaccine Efficacy and Supply Chain Monitoring	123.00	The rescission is targeted to protect some funding for staff for FDA to continue some supply chain monitoring activities.
HHS - HRSA	009-15-0350	Health Resources and Services	330.02	Most of the remaining funds are for ongoing health workforce awards to address workforce shortages and for administrative expenses.
SBA	028-00-1152	Disaster Loans Program Account	1,474.32	Funds are restricted for COVID related purposes.
SBA	028-00-1152	Disaster Loans Program Account	859.26	Funds are only available to respond to major, or SBA-declared disasters. There are no immediate demands for these balances.

White House Circulator of Rescissions

Treasury	015-05-1894	Air Carrier Worker Support	784.07	Program largely concluded.
Treasury	015-05-1889	Economic Stabilization Program Account	200.00	Program largely concluded.
Treasury	015-05-0142	State Small Business Credit Initiative	150.00	Rescission targeted to only impact Treasury technical assistance grants. Roughly \$2 billion will remain after the rescission, including grants for tribal communities.
Treasury	015-05-0161	Emergency Capital Investment Fund	290.89	Rescission targeted to protect previously announced awards.
USDA	005-03-0408	Food Supply Chain and Agriculture Pandemic Response Program	1,356.55	These funds were intended for various purposes, some of which have already been announced.
USDA	005-03-9913	Office of the Secretary	1,130.72	
USDA	005-03-9913	Office of the Secretary	327.04	
USDA	005-45-2500	Marketing Services	395.91	
Rescissions under \$150 million, with no or limited programmatic impact			1,616.72	Many of these rescissions are of extremely small amounts. For example, the rescission from HUD's Housing for Persons with Disabilities program is \$1.2 million, USDA's rural broadband program rescission is \$610,000, and the Essential Air Service rescission is \$40.
			27,724.11	

Select Priority Programs PROTECTED from Rescissions			
Agency	Account	Program/Activity	Unobligated Balances (\$M)
HHS	009-17-0390	Indian Health Service	1,390.15
DOI	010-77-2106	Operation of Indian Education Programs	202.09
DOT	021-36-2812	Department of Transportation Transit Grants	3,083.43
VA	029-15-0173	Veterans Medical Care and Health Fund	2,223.30
HUD	025-03-0302	Tenant Based Rental Assistance	3,497.49

Taxes – President’s Budget

Debt Reduction and Taxes: The president’s budget plans for \$3 trillion in deficit reduction and seeks to reduce the deficit-to-GDP ratio and keep net interest payments to around 1% of GDP. To provide for this deficit reduction and to support other priorities, the budget includes several tax proposals.

- **Minimum Tax on Billionaires:** Proposes a minimum tax of 25% for the wealthiest 1% of earners.
- **Top Tax Rate for Individuals:** Seeks to repeal certain tax provisions of the Tax Cuts and Jobs Act of 2017 , including the restoration of the top tax rate to 39.6% for individuals making more than \$400,000 a year.
- **Corporate Tax Rate:** Proposes an increase in the corporate minimum tax rate to 28%. That would be an increase from the rates provided by the TCJA but below the 35% rate in effect before the law was passed.
- **Net Investment Income for Medicare:** Seeks to increase from 3.8% to 5% the Medicare tax rate for those earning above \$400,000, including regular income, capital gains and so-called pass-through business income.
- **International Corporate Tax:** Seeks approval for the global tax framework—signed by more than 30 countries—which would increase tax rates for multinational corporations’ foreign earnings from 10.5% to 21%.



Quick Mentions

- SALT Caps - [HR 2555 – SALT Deductibility ACT](#); 51 Cosponsors led by Andrew Garbarino (R-NY).
- Research and Development Incentives – [S.866 American Innovation and Jobs Act](#) - Senators Todd Young (R-IN) and Maggie Hassan (D-NH).
- U.S. Advisory Council on Intergovernmental Relations (ACIR) - [Restore the Partnership Act - H.R. 3480](#) - Gerry Connolly (D-VA) and Marc Molinaro (R-NY).





Upcoming SALT Dates



- Sunday, August 13 – Indianapolis, IN at the Indy Convention Center – SALT Summer Meeting.
- November 15-17 – Miami, FL at the Palm Hotel – SALT Fall meeting as part of NCSL’s Fiscal Symposium.
- January 13 – Las Vegas – SALT Advisory Committee Member (\$10k support level) Policy Planning Meeting as part of the Winter Executive Committee Meeting.





2023 Indy Legislative Summit



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