

Federal Update

Executive Committee Task Force on State & Local Taxation



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National Conference of State Legislatures

Capitol to Capitol

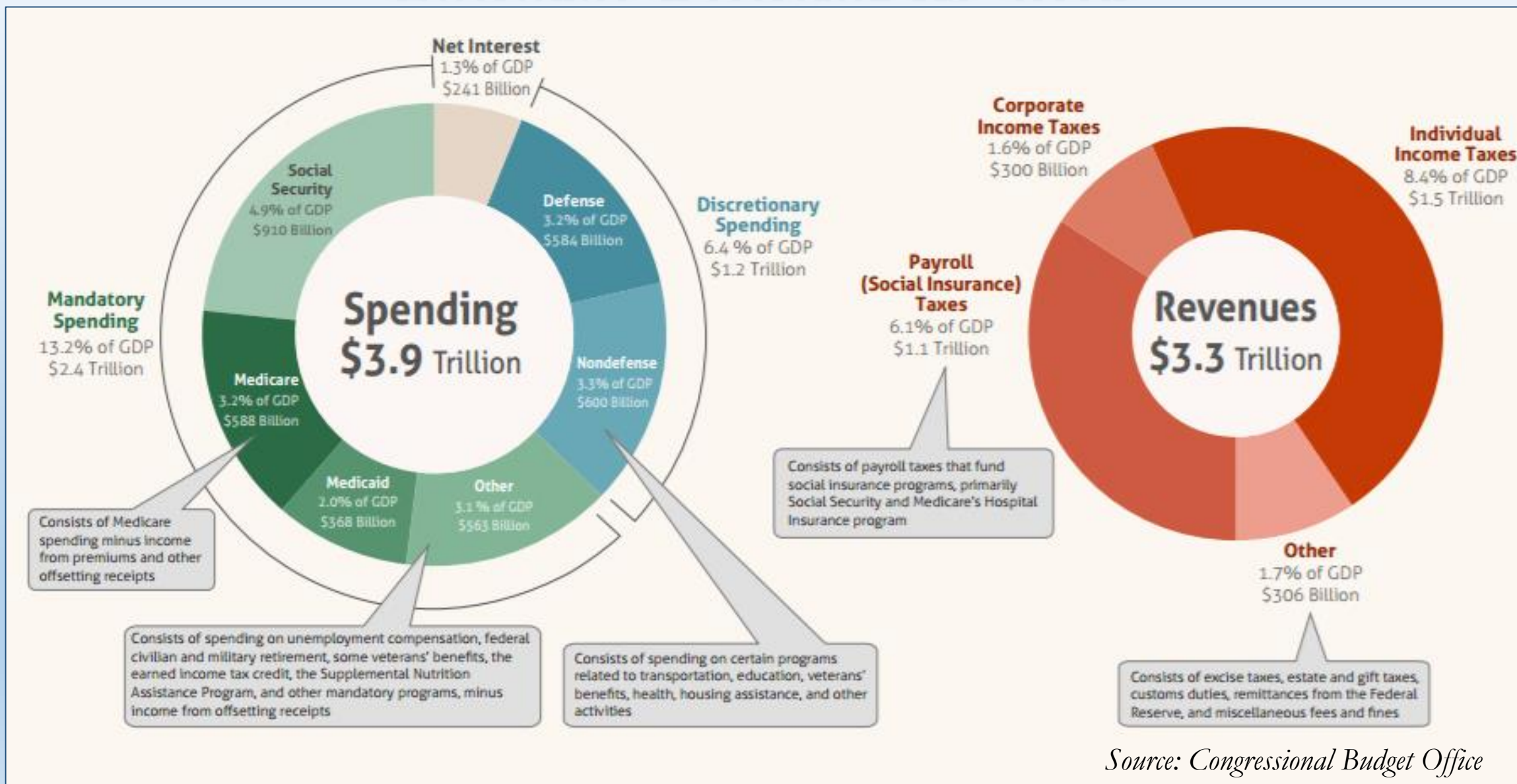
Capitol to Capitol is a weekly newsletter from the Washington D.C. office of the National Conference of State Legislatures.

Distributed each Monday, Capitol to Capitol provides up-to-the-minute information on activity at the federal level and highlights legislation that will affect states.

DYK? The University of Wyoming opened its doors in 1886, four years before Wyoming became a state.



Federal Budget in 2016



Annual Budget Process - Timeline

February

- President submits budget proposal to Congress

April 15

- Congress adopts a budget resolution

May/June

- Appropriations Committees Begin Reporting Bills

Late July

- House and Senate finish considering appropriations bills

Fall/
Winter

- House and Senate reconcile, send bills to President

October 1

- New Fiscal Year Begins

Federal Budget/Appropriations

- Federal Fiscal Year begins on October 1
- The last time all appropriations bills were enacted by the start of the new fiscal year was in 1996.
- Congress passed a \$1.1 trillion omnibus spending bill in April that will fund the government for the remainder of the fiscal year.
- President Trump's Budget for FY 18 was released on May 23.
- "Almost every president's budget proposal that I know of is basically dead on arrival" - Sen. John Cornyn, R-Texas, May 23rd

Federal Budget

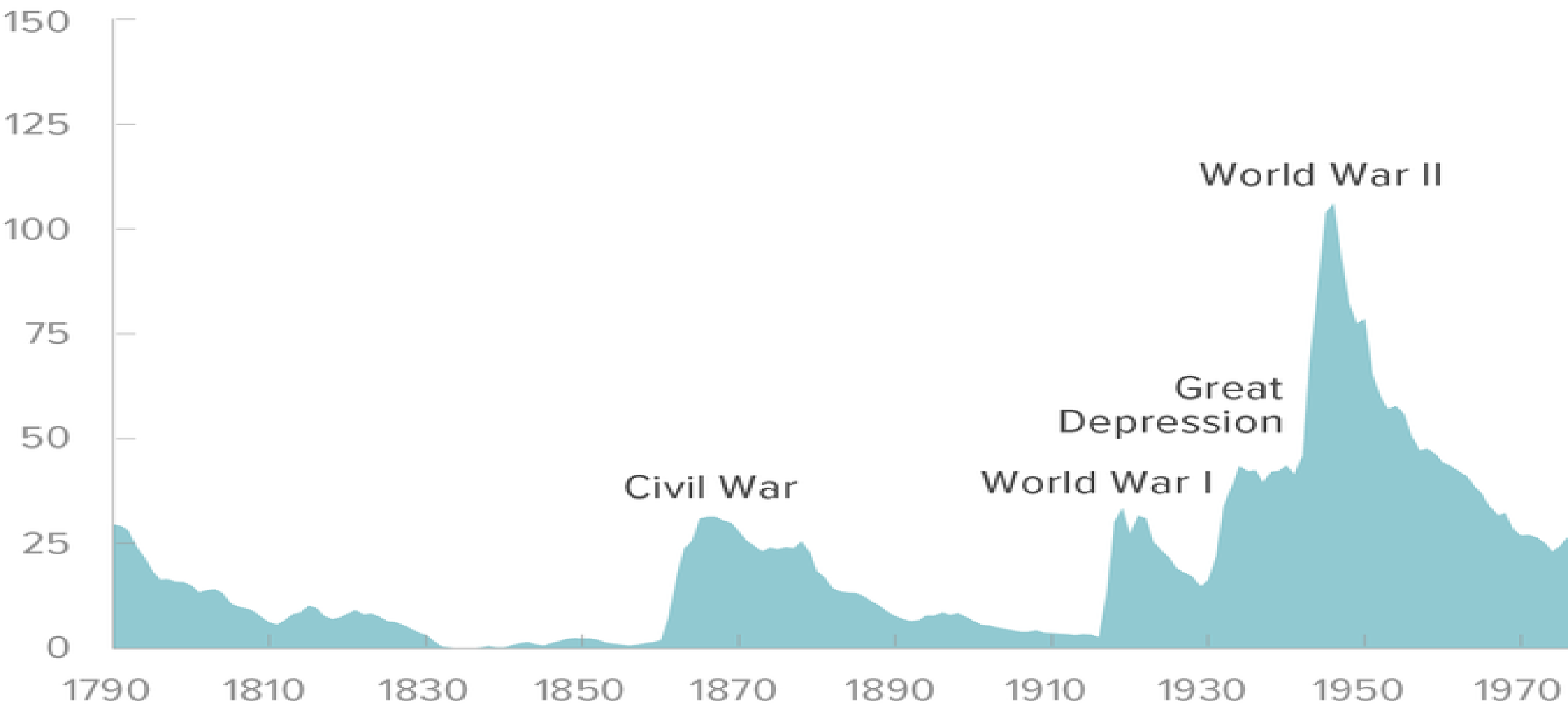
- Reconciliation instructions included in the FY 2017 budget resolution are being utilized to address healthcare reform.
- The FY 2018 budget resolution cannot be put up for a final vote until the House and Senate finalize a healthcare package (passage of a new budget resolution would invalidate the previous budget resolution).
- As a budget resolution for fiscal year 2018 has not yet passed, no actual spending limits have been announced.
- House Budget Committee Chair Rep. Diane Black (R-Tenn.) doesn't know if she has enough votes to pass the House GOP's budget on the floor. She has optimistically set June 21 for the committee markup.
- The markup will likely depend on how the House GOP's members-only budget meeting goes on Friday
- Next week is likely the panel's last chance to get its resolution on the calendar before the July 4 recess.

Federal Appropriations

- Congress has already started writing and editing the 12 appropriations bills, despite the absence of a budget resolution or announced spending limits for each bill.
- The first appropriations bill to have received action in the House is the one that funds the Department of Veterans Affairs and military construction for the Department of Defense.
- The House can usually pass all 12 appropriations bills since they only need a majority vote to pass the chamber, but the chances of the Senate passing all bills before the end of the year are next to zero.

Federal Debt Held By the Public

Percentage of GDP



Federal Debt

At 77% of gross domestic product (GDP), federal debt held by the public is now at its highest level since shortly after World War II.

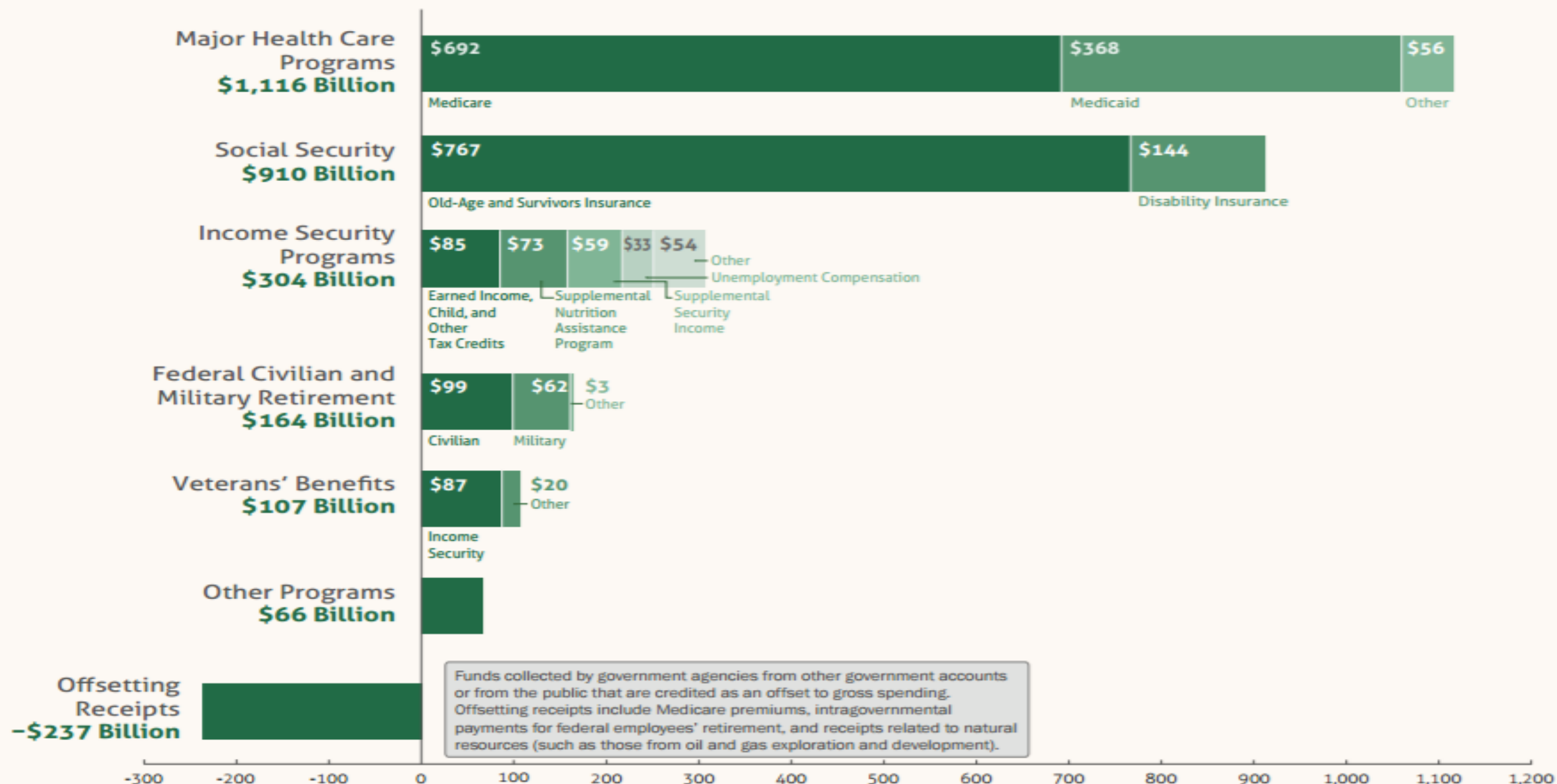
If current laws generally remained unchanged, the Congressional Budget Office projects, growing budget deficits would boost debt sharply over the next 30 years; it would reach 150% of GDP in 2047.

Why Are Projected Deficits Rising?

In CBO's projections, deficits rise over the next three decades—from 2.9 percent of GDP in 2017 to 9.8 percent in 2047—because spending growth is projected to outpace growth in revenues. In particular, spending as a share of GDP increases for Social Security, the major health care programs (primarily Medicare), and interest on the government's debt.

Mandatory Spending in 2016

Billions of Dollars



Debt Ceiling

- "I am comfortable saying we can fund the government through the beginning of September. I would prefer not to give a range at this time."
-Secretary Steve Mnuchin, June 12
- Since mid-March, Treasury has been using special accounting measures to keep the government from defaulting on its obligations.
- If Congress does not raise or suspend the \$19.81 trillion debt ceiling before those measures are exhausted, Treasury would not have enough cash and revenue on hand to pay all the country's bills in full and on time. Such a situation could create significant disruption in markets and ultimately the economy.

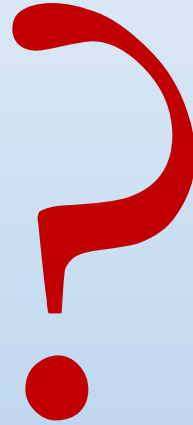
Health Care

- American Health Care Act (AHCA) passed House 217-213 on May 5
- The Senate is currently crafting its own bill, but Senators have to work out disagreements on the cost, subsidies to support the purchase of insurance, and how to handle Medicaid.
- If consensus is reached, Senate Majority Leader Mitch McConnell would bring language to the floor for a vote before the July 4th recess.
- Medicaid? It's not yet known how the Senate version of the bill will fund the federal share of Medicaid. NCSL has been told an array of proposals are being considered, and has shared many state recommendations with the Senate Finance staff.
- June 21st deadline for insurers to commit to participation in the ACA Exchanges in 2018
 - Many insurers have commented that if the insurance premium subsidies are not financed, premiums will increase in the double digits for the 2018 plan year.
 - Many states are faced with insurers dropping out of their exchanges, and consumers having fewer choices for their health coverage.

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Infrastructure



Supreme Court and the Filibuster

- On April 7th, the U.S. Senate confirmed Neil Gorsuch for associate Justice of the U.S. Supreme Court. The road to confirmation was rocky, to say the least, as it required a drastic change to Senate procedure, known as the nuclear option, that will forever change the process for confirming new justices to the court.
- Cloture motions to end debate on the confirmation of Supreme Court justices now only require a simple majority vote of senator. Before it required a three-fifths vote of senators.
- Many are wondering if the 60-vote threshold to end debate on legislation, known as the legislative filibuster, will be the next to go.
- In May, President Trump seeming called for an end to the legislative filibuster in the Senate, tweeting “The U.S. Senate should switch to 51 votes, immediately, and get Healthcare and TAX CUTS approved, fast and easy. Dems would do it, no doubt!”

North Carolina/Wisconsin Redistricting

North Carolina

The US Supreme Court upheld a lower court's ruling that Republican lawmakers mapped legislative districts to diminish the voting power of minorities.

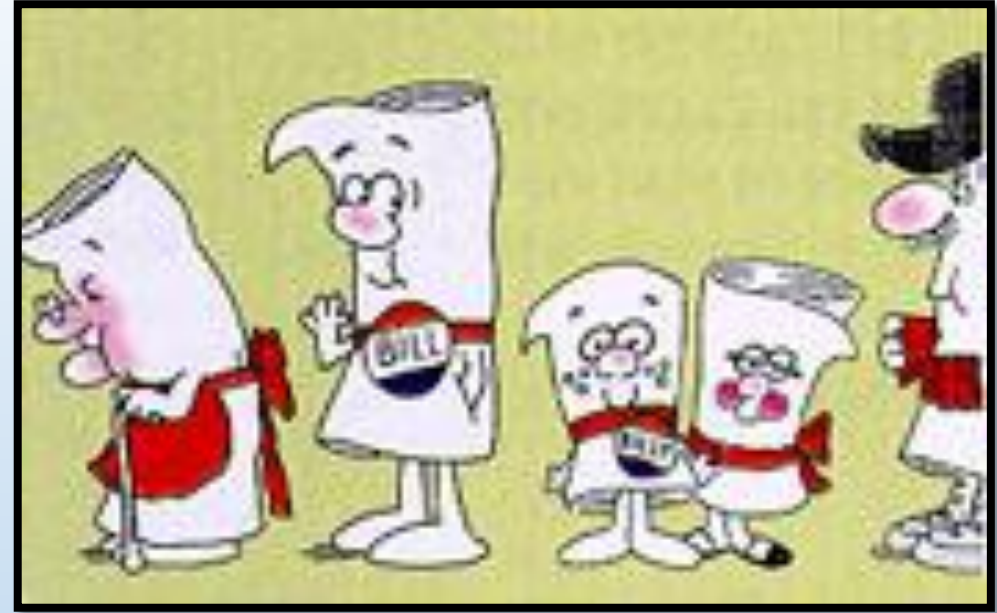
Supreme Court has dealt with NC voting rights cases three other times in the past three weeks.

Wisconsin

The US Supreme Court will soon announce whether it plans to hear an appeal of a ruling that struck down Wisconsin's legislative map.

In a 2-1 decision late last year, a federal court agreed that the plan intended to burden the representational rights of Democrats.

Introduced and Enacted Bills/Resolutions in 115th Congress



Enacted Laws

39 (1%)

Passed Resolutions

182 (4%)

Got a Vote

192 (4%)

Other Legislation

4,492 (92%)

Tax Reform

Will it happen?

Who is driving the conversation?

What would it look like?

Questions?