

FY 2019 Budget Analysis



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Introduction

On February 12, 2018, President Donald Trump released his \$4.4 trillion federal budget request for Fiscal Year (FY) 2019, entitled “An American Budget” (FY 2019 Budget Request/Budget Request), which includes \$3 trillion in spending cuts over the next 10 years and would increase revenue by \$813 billion from economic growth. The proposal does not include provisions to achieve a balanced budget, projecting a \$445 billion deficit by the end of the decade.

In the proposal, President Trump highlights recent economic growth for the nation, including the creation of two million jobs, a 17-year low for unemployment, and adding nearly \$5 trillion in new wealth to the stock market. The proposal includes increased federal spending for the military, infrastructure, and border security, while cutting federal healthcare programs like Medicare and Medicaid.

Over a 10-year period, the FY 2019 Budget Request suggests that Congress appropriate \$200 billion for infrastructure to spur \$1.5 trillion in infrastructure investment with state, local, and private partners.¹ The White House also requests \$85.5 billion in discretionary funding for the Department of Veterans Affairs and proposes \$23 billion for border security and immigration enforcement, including \$18 billion for southern border wall construction during FY 2018 and FY 2019. The Budget Request calls for nearly \$17 billion for the Department of Health and Human Services, and additional funding through a variety of different agencies, to address the nation’s opioid epidemic.

The FY 2019 Budget Request cuts mandatory spending by \$1.66 trillion over the next decade, primarily through cuts to Social Security, Medicare, and Medicaid. Under the proposed budget additional mandatory spending programs would face a 7% budget cut of \$513 billion over the next 10 years, including changes to the Postal Service for a savings of \$39.5 billion, modifications to crop insurance premiums for \$26 billion in reductions, the creation of a single income driven student loan repayment plan for savings of \$128.4 billion, and overhauling the Supplemental Nutrition Assistance Program (SNAP) to create \$213.5 billion in savings.

The Budget Request also identifies key legislative priorities and proposes to streamline regulatory processes. Examples of such priorities include making the US a net energy exporter by 2026, adding resources to rebuild and modernize the military, addressing high medical drug prices, reforming the current welfare system, and potentially creating a pathway to affordable education and well-paying jobs. The Budget Request proposes eliminating 22 regulations for every new regulation created.

Consistent with the President’s FY 2018 Budget Request, the FY 2019 proposal would eliminate or zero out funding for a number of agencies and programs, including:

- Community Development Block Grant
- HOME Investment Partnership Program
- HUD Veterans Affairs Supportive Housing (VASH)

- Public Housing Capital Fund
- HUD Choice Neighborhoods
- Transportation Investment Generating Economic Recovery (TIGER)
- Low Income Energy Assistance Program (LIHEAP)
- Emergency Food and Shelter Program
- State Criminal Alien Assistance Grants
- Economic Development Administration (EDA)
- The Manufacturing Extension Partnership
- 21st Century Community Learning Centers
- The Agency for Healthcare Research and Quality
- The Advanced Research Projects Agency
- The Corporation for National and Community Service
- The Institute of Museum and Library Services
- The National Endowment for the Arts
- The National Endowment for the Humanities

The President’s FY 2019 Budget Request comes on the heels of a fifth FY 2018 Continuing Resolution (CR) enacted on February 9, which will fund the federal government through March 23. As previously reported, incorporated into the CR was a \$300 billion two-year budget agreement, the Bipartisan Budget Act of 2018, which established new topline discretionary spending levels for FY 2018 and FY 2019. In response, the President released an addendum to his FY 2019 Budget Request that partially accounts for the increased spending levels in the budget agreement. Office of Management and Budget (OMB) Director Mick Mulvaney stated that the proposal should be viewed as utilizing spending caps and not spending floors, continuing, “We’re going to show how you can run the government without spending all of it. That will be our 2019 budget.”

As expected, Democrats uniformly rejected the President’s FY 2019 Budget Request and will likely use it as a vehicle to attack Republicans going into the midterm elections. Even some Congressional Republicans pushed back on many of the proposed program reductions and eliminations. Presidential budgets (even friendly ones) are often considered “dead on arrival” by Congress, but the recent budget deal reached by Congress and signed by the President last week make this proposal even less relevant. However, while the proposal will likely have minimal influence on Capitol Hill, it provides insight into the President’s policy and spending priorities.

Following this week’s budget hearings, in which OMB Director Mulvaney will testify on the Administration’s FY 2019 Budget Request, appropriators will focus on drafting an FY 2018 omnibus that adheres to the new budget parameters set forth in the Bipartisan Budget Act of 2018, before turning their attention to the FY 2019 appropriations process.

¹ The President also released a legislative outline for his \$1.5 trillion infrastructure proposal “Rebuilding a Stronger America” on February 12. A comprehensive analysis of the proposal will be provided separately.

Department of Agriculture

Funding

The President's FY 2019 Budget Request proposes \$19 billion for the United States Department of Agriculture's (USDA) discretionary budget authority, which is a \$3.7 billion or 16% decrease from the FY 2017 enacted level.

For FY 2019, the Budget Request seeks to focus on core mission-critical activities, such as the expansion of agricultural production jobs and research, while also supporting the Secretary's Department-wide reorganization efforts. In the name of demonstrating fiscal constraint and responsible use of taxpayer resources, the FY 2019 Budget Request eliminates funding for "unnecessary or lower priority activities and those that are duplicative of private sector efforts."

Funding Highlights

Nutrition Programs

- SNAP: \$73.218 billion (\$78.49 billion in FY 2017)
- Child Nutrition Programs: \$23.340 billion (\$22.977 billion in FY 2017)
- Special Supplemental Nutrition Program for Women, Infants, and Children (WIC): \$5.8 billion (\$6.35 billion in FY 2017)
- Commodity Assistance Program: \$55 million (discretionary) (\$315 million in FY 2017)
- Food Insecurity Nutrition Incentive (FINI) Program: \$0 (\$19 million in FY 2017)

Research and Food Safety Programs

- Agriculture and Food Research Initiative (AFRI): \$375 million (\$375 million in FY 2017)
- Agricultural Research Service (ARS): \$1.175 billion (\$1.328 billion in FY 2017)
- National Institute of Food and Agriculture (NIFA): \$13 million (discretionary) (\$36 million in FY 2017)
- Agricultural Marketing Service (AMS): \$119 million (discretionary) (\$85 million in FY 2017)
- Animal and Plant Health Inspection Service (APHIS): \$739 million (discretionary) (\$976 million in FY 2017)
- Food Safety and Inspection Service (FSIS): \$1.032 billion (\$1.032 billion in FY 2017)

Farm and Rural Programs

- Crop Insurance Programs: \$8.691 billion (\$5.088 billion in FY 2017)
- Risk Management Agency: \$38 million (\$84 million in FY 2017)

Proposed Program Eliminations

- McGovern-Dole International Food for Education Program
- Food for Peace Program
- Food for Progress Program
- Food Insecurity Nutrition Incentive (FINI) Program
- Emergency Citrus Research and Extension Program
- Rural Water and Waste Disposal Loan and Grant Program

Policy Highlights

In order to provide surveillance to protect the nation's food supply and further the mission of the Food Safety and Inspection Service (FSIS), the Budget Request fully funds the costs necessary to support approximately 8,100 personnel located at more than 6,400 processing and slaughter establishments for meat, poultry, and egg products in the US.

The Budget Request also proposes a new approach to nutrition assistance that combines traditional Supplemental Nutrition Assistance Program (SNAP) benefits with 100% American-grown foods provided directly to households and focuses administrative reforms on outcome-based employment strategies. In addition, the Budget Request expands on previous proposals to strengthen expectations for work among able-bodied adults, preserve benefits for those most in need, promote efficiency in state operations, and improve program integrity.

The Budget Request supports the USDA Secretary's efforts to reorganize agency functions. Specifically, the Farm Service Agency, Risk Management Agency, and the Natural Resources Conservation Service would be merged under the Under Secretary for Farm Production and Conservation. In addition, the Secretary has established an Under Secretary of Trade and Foreign Agricultural Affairs to sharpen USDA's focus on increasing agriculture exports to foreign markets. The Budget Request also supports consolidating fair practices, standards work, and commodity procurement within the Agricultural Marketing Service.

The Budget Request highlights the importance of affordable, high-speed internet services in rural and tribal areas. Specifically, the Budget Request provides rural communities with modern information access by proposing \$30 million to fund broadband grants, \$23 million in broadband loans, and \$24 million to fund distance learning and telemedicine grants.

The Budget Request proposes to optimize and improve crop insurance and commodity programs in a way that maintains a strong safety net by including proposals to reduce the average premium subsidy for crop insurance from 62% to 48%, as well as limit commodity, conservation, and crop insurance subsidies to those producers that have an Adjusted Gross Income of \$500,000 or less.

The Budget Request calls for the establishment of user fees for the Agriculture Marketing Service (AMS), the Animal and Plant Health Inspection Service (APHIS), the Food Safety and Inspection Service (FSIS), and the Packers and Stockyards Program to offset costs of those programs.

Department of Commerce

Funding

The President's FY 2019 Budget Request proposes \$9.8 billion for the Department of Commerce (DOC), a \$546 million or 6% increase from FY 2017 enacted levels. The Budget Request focuses on providing funding for core government functions, such as the 2020 Decennial Census, which the Administration identifies as DOC's highest priority. The Budget Request proposes \$2.3 billion for the United States Census Bureau, to allow for increased investments in information technology and field infrastructure for the 2020 Decennial Census. The Administration also identifies trade and intellectual property enforcement, weather and Earth observations, and spectrum management as major priorities.

The Budget Request includes a \$3 million increase for the International Trade Administration (ITA) and a total of \$90 million for ITA's Enforcement and Compliance Unit to enhance investigations into trade violations and eliminate tariff and non-tariff barriers to US exports.

The Budget Request also includes \$34 million for the National Telecommunications and Information Administration (NTIA) and highlights the agency's role in representing US interests on internet governance and digital commerce. The Budget Request emphasizes the importance of NTIA in facilitating the deployment of 5G broadband and other connected infrastructure.

Funding Highlights

- United States Census Bureau: \$3.8 billion (\$1.5 billion in FY 2017)
- National Institute of Standards and Technology (NIST): \$537 million (\$954 million in FY 2017)
- National Telecommunications and Information Administration (NTIA): \$33.6 million (\$32 million in FY 2017)
- National Ocean Service: \$547 million (\$517 million in FY 2017)
- National Weather Service: \$987 million (\$980 million in FY 2017)
- National Network for Manufacturing Innovation: \$15.1 million (\$25 million in FY 2017)

Proposed Program Eliminations

- EDA Public Works Program
- EDA Economic Adjustment Assistance (EAA) Program
- EDA Regional Innovation Program (RIS)
- NIST Hollings Manufacturing Extension Partnership (MEP)
- NOAA Sea Grant
- National Estuarine Research Reserve System
- Coastal Zone Management Grants
- Pacific Coastal Salmon Recovery Fund

Department of Education

Funding

The President's FY 2019 Budget Request seeks a total request of \$63.2 billion in discretionary appropriations for the Department of Education, a \$3.6 billion or 5.57% decrease from the Department's FY 2017 enacted level of \$66.927 billion.

The Budget Request eliminates, streamlines, or reduces funding for 39 discretionary programs, and seeks to reduce the federal role in education. The Budget Request prioritizes investments in streamlining and simplifying funding for college, expanding access and pathways to post-secondary education and training, and promoting school choice. The Budget Request also highlights supporting high-quality special education services to children with disabilities, promoting innovation and reform around STEM education, and implementing school-based opioid abuse prevention strategies.

Funding Highlights

Early Learning

- Head Start: \$9.3 billion (\$9.6 billion in FY 2017)

Elementary and Secondary Education

- Title I Grants to Local Educational Agencies (LEAs): \$15.9 billion (\$14.9 billion in FY 2017)
 - State Assessments: \$369 million (\$369 million in FY 2017). Funds would support formula and competitive grants to states to develop and implement assessments that are aligned with college- and career-ready academic standards. Funds would also support audits of state and local assessment systems.
 - Rural education: \$176 million (\$177 million in FY 2017). Funds would support formula grants under two programs: the Small, Rural School Achievement program and the Rural and Low-Income School program.
 - Education for homeless children and youths: \$77 million (\$77 million in FY 2017).
- Supporting effective instruction state grants: \$1.68 billion (\$2.05 billion in FY 2017)
- Promise Neighborhoods: \$72 million (\$73 million in FY 2017)
- School safety national activities: \$43 million (\$67 million in FY 2017). Funds would support School Climate Transformation Grants and technical assistance to help state and local educational agencies to implement evidence-based opioid-abuse prevention strategies for schools in communities impacted by the opioid crisis
- Education, innovation and research: \$180 million (\$100 million in FY 2017)

- Charter schools: \$500 million (\$342 million in FY 2017). Funds would support competitive grants for the opening of new charter schools and the replication and expansion of high-quality charter schools. Funds would also support information dissemination activities and competitive grants to improve charter schools' access to facilities
- Opportunity Grants: \$1 billion. This new program supports public and private school choice
- English Language Acquisition Grants: \$737 million (\$737.4 million in FY 2017)
- Individuals with Disabilities Education Act (IDEA) Grants to states: \$11.162 billion (\$12 billion in FY 2017). Formula grants are provided to states to assist them in providing special education and related services to children with disabilities ages 3 through 21

Higher Education

- Student Financial Assistance:
 - Federal Pell Grants: \$22.5 billion (\$22.5 billion in FY 2017). The 2019 Budget Request proposes to expand Pell Grant recipients' eligibility to include high-quality short-term programs that provide students with a credential, certification, or license in an in-demand field, with sufficient guardrails in place to balance students' needs with protecting taxpayer interests. The request funds the maximum Pell grant award at \$5,920. The broadening of Pell, the budget projects, would cost \$401 million over 10 years, and the administration proposes to pay for it through a reallocation of mandatory spending on the program
 - Federal Work-Study: \$200 million² (\$990 million in FY 2017). The Budget Request proposes to reform the Federal Work-Study program to support workforce and career-oriented training opportunities for low-income undergraduate students
- Career and Technical Education State Grants: \$791 million (\$1.1 billion in FY 2017). Funds would support a reauthorized formula grant program to states to expand and improve career and technical education (CTE) to ensure that participants, upon exit, are able to work in careers for which there is high demand.
- Federal Work-Study: \$200 million (\$990 million in FY 2017) The addendum does provide an additional \$300 million to the Student Financial Assistance account for a reformed Federal Work-Study program
- Strengthening Historically Black Colleges and Universities (HBCUs): \$85 million (\$245 million in FY 2017)
- Developing Hispanic-serving institution STEM and articulation programs: \$100 million (\$93 million in FY 2017)

2 The FY 2019 Budget Request addendum provides an additional \$300 million to the Student Financial Assistance account for a reformed Federal Work-Study program.

- Strengthening Alaska native- and native Hawaiian-serving institutions: \$15 million (13.8 million in FY 2017)
- Federal TRIO Programs: \$950 million (\$950 million in FY 2017)

Other Items of Interest

- Office of Civil Rights: \$107 million (\$108 million in FY 2017)

Proposed Program Eliminations

- Supporting Effective Instruction State Grants
- 21st Century Community Learning Centers program
- Federal Supplemental Educational Opportunity Grant (SEOG) program
- Student Support and Academic Enrichment Grants program
- Comprehensive Literacy Development Grants
- Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)
- Strengthening Institutions
- International Education
- Impact Aid Payments for Federal Property
- Promise Neighborhoods
- Statewide Longitudinal Data Systems
- Supporting Effective Educative Development
- Teacher and School Leader Incentive Grant
- Teacher Quality Partnership (TPQ) program
- Teacher School Leader Recruitment and Support
- Regional Education Lab (REL)
- Comprehensive Centers

Policy Highlights

The Budget Request proposes transitioning TRIO to a single state formula and merging six duplicative Higher Education Act (HEA) Title III and V competitive grant authorities into a single institutional formula. The Budget Request also supports Federal Student Aid (FSA) in reorganizing its servicing and operating infrastructure in order to provide an improved financial services experience for its customers.

The Budget Request recommends changes to the Carl D. Perkins Career and Technical Education (CTE) Act of 2006, which governs spending on CTE training. Specifically, it requests that the majority of Perkins funding go to high schools to promote strategies such as apprenticeship, work-based learning, and dual enrollment. The Budget Request also proposes an increase in STEM offerings, as well as funding for fast-track programs that prepare high school graduates for jobs rebuilding infrastructure.

The President states that colleges should be required to share a portion of the financial risk associated with student loans tied to loan repayment rates. As such, the Budget Request proposes that colleges be evaluated based on the rate at which their students repay their federal loans, and says institutions should be accountable if they consistently fail to deliver students an education that enables them to successfully repay federal student loans.

Finally, the Budget Request proposes capping undergraduate student loan borrowers' monthly payments at 12.5% of their discretionary income, and proposes forgiving any remaining amount after 15 years. Graduate student loan borrowers would have to make payments for 30 years under the plan. The Budget Request also proposes auto-enrolling severely delinquent borrowers in an income-based repayment program.

Department of Energy

Funding

The President's FY 2019 Budget Request proposes a budget of \$31.3 billion for the Department of Energy (DOE), an approximately \$500 million or 2% increase from FY 2017 enacted levels.

The Budget Request initially called for \$29.8 billion for DOE in FY 2019; however, the President's addendum calls for an additional \$1.5 billion for the department. The additional \$1.5 billion in the addendum for DOE is proposed as follows:

- \$1.213 billion for the Science account, to be allocated among physical sciences, biological and environmental studies for the purpose of "securing America's energy future"
- \$200 million to the Fossil Energy Research and Development account for research and development (R&D) of "clean coal" technologies. Specifically, the funding would be distributed through competitively awarded cooperative agreements between the National Labs and industry for early-stage R&D for fossil-based power systems
- \$120 million to the Energy Efficiency and Renewable Energy account for R&D of sustainable transportation, renewable energy and energy efficiency technologies. This funding would similarly be distributed through competitively awarded cooperative agreements between the National Labs and industry for early-stage R&D "to improve reliability and resiliency of electricity delivery, integrated energy storage, renewable generation, smart buildings and electric vehicles"

The President's FY 2019 Budget Request emphasizes cybersecurity and infrastructure hardening, and prioritizes "energy dominance and making the United States a net energy exporter by 2026." At the same time, the Budget Request recommends cuts in the sustainable transportation area in solar, wind energy, and waterpower programs.

The Budget Request also recommends agency restructuring, reorganization, and consolidation efforts, including National Lab consolidations and other reorganizations, such as a newly created Office of Cybersecurity, Energy Security, and Emergency Response and consolidation of program-level international affairs activities into a single headquarters. Similarly, the Budget Request proposes no funding for the "Carbon Capture" or "Carbon Storage" programs, which received \$84 million and \$114 million respectively in FY 2017. Instead, the Budget Request proposes funding for a new combined "Carbon Capture, Utilization and Storage" program with lesser funding at \$23 million for FY 2019.

The Budget Request also contains some possible conflicting priorities. While the Budget Request discusses supporting efforts by DOE to stop the proliferation of weapons of mass destruction, at the same time it recommends eliminating four programs in the agency's Defense Nuclear Non-Proliferation Program that would likely assist with this effort. Similarly, the Budget Request touts DOE's mission to "advance transformative science and technology innovation," yet it proposes cutting two programs entirely that had previously been significantly funded in this area: the Small Business Innovation Research program (formerly funded at \$217 million in FY 2017) and the Small Business Technology Transfer program (formerly funded at \$30 million in FY 2017).

With a continued focus on cost savings for the National Labs, the Budget Request, for the second year in a row, proposes a consolidation of the National Energy Technology Laboratory (NETL) operations currently located in three areas (Morgantown, WV, Pittsburgh, PA, and Albany, OR) to a single complex. The Budget Request also again proposes the deactivation and decommissioning of high risk excess facilities of the Y-12 National Security Complex and the Lawrence Livermore National Laboratory.

Also similar to recommendations in last year's Budget Request, the President continues to support an interim storage program and the licensing of the Yucca Mountain for nuclear waste.

With regard to the Strategic Petroleum Reserve (SPR), the Budget Request estimates receiving a total of \$637 million from the sale of Strategic Petroleum Reserve Oil. The Budget Request proposes that, beginning in FY 2019, the management of the Office of Petroleum Reserves, including the Strategic Petroleum Reserve, will be overseen by the newly proposed Office of Cybersecurity, Energy Security, and Emergency Response (CESER). CESER is intended to focus on energy infrastructure security.

The Budget Request also proposes \$180 million for DOE's Grid Modernization Initiative, a joint effort that would be funded by the Office of Electricity Delivery, the Office of Energy Efficiency and Renewable Energy, and the new Office of Cybersecurity, Energy Security, and Emergency Response. In addition, it proposes \$757 million for the Office of Nuclear Energy to support early-stage R&D for advanced reactor technologies, instrumentation, and manufacturing methods. The Budget Request would also provide \$300 million for R&D by the Office of Fossil Energy to support research at national laboratories for "clean, efficient fossil fuels and systems."

In addition, the Budget Request proposes a mandatory sale of refined petroleum product from the SPR in FY 2019 and an optional sale of crude oil in FY 2019 from the SPR in Sections 310 and 311:

- SEC. 310 – Notwithstanding section 161 of the Energy Policy and Conservation Act (42 U.S.C. 6241), the Secretary of Energy shall draw down and sell one million barrels of refined petroleum product from the Strategic Petroleum Reserve during FY 2019. Proceeds from sales under this section shall be deposited into the general fund of the Treasury during FY 2019
- SEC. 311 – The Secretary of Energy may draw down and sell up to 1 million barrels of crude oil from the Strategic Petroleum Reserves during FY 2019. The proceeds of such sale shall be deposited into the SPR Petroleum Account and shall remain available until expended. However, the Budget Request notes that, as authorized by section 404 of the Bipartisan Budget Act of 2015 (Public Law 114–74; 42 U.S.C. 6239 note), “the Secretary of Energy shall drawdown and sell not to exceed \$300,000,000 of crude oil from the Strategic Petroleum Reserve in fiscal year 2019”

Funding Highlights

- Energy Efficiency and Renewable Energy: \$1.4 billion (\$2.09 billion in FY 2017)
- Hydrogen and Fuel Cell Technologies: \$81 million (\$101 million in FY 2017)
- Bioenergy Technologies: \$118 million (\$205 million in FY 2017)
- Solar Energy: \$127 million (\$208 million in FY 2017)
- Wind Energy: \$61 million (\$90 million in FY 2017)
- Geothermal Technology: \$81 million (\$69.5 million in FY 2017)
- Water Power: \$58 million (\$84 million in FY 2017)
- Vehicle Technologies: \$178 million (\$307 million in FY 2017)
- Building Technologies: \$121 million (\$199 million in FY 2017)
- Advanced Manufacturing: \$97 million (\$257.5 million in FY 2017)
- Electricity Delivery (formerly Electricity Delivery and Energy Reliability): \$61 million (\$230 million in FY 2017)
- Transmission, Reliability and Resiliency (formerly Clean Energy Transmission and Reliability): \$13 million (\$36 million in FY 2017)
- Resilient Distribution Systems (formerly Smart Grid Research and Development): \$10 million (\$50 million in FY 2017)
- Energy Storage: \$8 million (\$31 million in FY 2017)
- Cyber Security for Energy Delivery Systems: \$70 million (\$62 million in FY 2017)
- Science: \$4.1 billion (\$5.39 billion in FY 2017)
- Nuclear Energy: \$757 million (\$1.01 billion in FY 2017)

- Fossil Energy Research and Development (FER&D): \$302 million (\$668 million in FY 2017)
- Advanced Technology Vehicles Manufacturing Loan Program (ATVM): \$1 million (\$4 million in FY 2017)
- Funds to eliminate “Excess Facilities”: \$150 million (\$0 in FY 2017)

Proposed Program Eliminations

- Cybersecurity for Energy Delivery Systems
- Infrastructure Security and Energy Restoration
- STEP (Supercritical CO2)
- Advanced Research Projects Agency-Energy (ARPA-E)
- Advanced Technology Vehicle Manufacturing Program (ATVM)
- Title 17 Innovative Technology Loan Guarantee Program (encourages early commercial use of new or significantly improved technologies in energy projects).
- Tribal Energy Loan Guarantee Program
- Mixed Oxide (MOX) Fuel Fabrication Facility (MFFF) project (to dispose US weapon-grade plutonium by fabricating it into MOX fuel)
- Weather Assistance and Intergovernmental Activities
- Defense Nuclear Non-Proliferation Program:
 - International Materials Protection and Cooperation
 - Fissile Materials Disposition
 - Global Threat Reduction Initiative
 - Global Material Security
- Energy Program, Office of Science:
 - Small Business Innovation Research
 - Small Business Technology Transfer
- Nuclear Energy:
 - Integrated University Program
 - International Nuclear Safety program
- Fossil Research and Development (FER&D)

Policy Highlights

The Budget Request proposes to sell the transmission assets owned and operated by PMAs, including those of Southwestern Power Administration, Western Area Power Administration, and Bonneville Power Administration in an effort “to reduce or eliminate the federal government’s role in electricity transmission infrastructure ownership and to increase a private sector role.”

Department of Health and Human Services

Funding

The President's FY 2019 Budget Request seeks \$95.4 billion in discretionary funding for the Department of Health and Human Services (HHS). Of note, the Administration's request includes a total of \$10 billion in new HHS funding for programs related to opioid abuse.

Funding Highlights

Health Resources and Services Administration (HRSA)

The President's FY 2019 Budget Request proposes moving the Agency for Healthcare Research and Quality (AHRQ) into NIH and provides \$258 million for its activities. It also seeks \$9.6 billion in discretionary spending for HRSA. This is \$3.45 billion above the FY 2017 level of \$6.15 billion.

- Community Health Centers Program: \$4.9 billion – \$3.1 billion moved from mandatory to discretionary (\$1.4 billion in FY 2017)
- Health Workforce: \$477 million (\$839 million in FY 2017)
- 340B Drug Pricing Program: \$26 million – \$10 million in discretionary, \$16 million through a new user fee on drug purchases by covered entities (\$10 million in FY 2017)
- Children's Hospital Graduate Medical Education: \$0 (\$300 million in FY 2017)
- Ryan White HIV/AIDS Program: \$2.26 billion (\$2.3 billion in FY 2017)
- Office of Rural Health Policy: \$75 million (\$156 million in FY 2017)
- Rural Hospital Flexibility Grant: \$0 (\$43.6 million in FY 2017)

Centers for Disease Control and Prevention (CDC)

The Budget Request seeks \$5.6 billion in discretionary spending for the CDC. This is \$700 million below the FY 2017 level of \$6.3 billion.

- Injury Prevention and Control: \$266 million (\$286 million in FY 2017)
- Public Health Preparedness and Response: \$800 million – Strategic National Stockpile transferred to CDC (\$1.4 billion in FY 2017)
- National Center for Emerging and Zoonotic Infectious Diseases: \$508 million (\$585 million in FY 2017)
- National Institute for Occupational Safety and Health (NIOSH): \$200 million (\$335 million in FY 2017)
- Chronic Disease and Health Promotion: \$939 million (\$1.17 billion in FY 2017)
 - Prevention and Public Health Fund: \$841 million (\$891 million in FY 2017)

Substance Abuse and Mental Health Services Administration (SAMHSA)

The Budget Request seeks \$3.5 billion for SAMHSA. This includes \$1.2 billion for a variety of new and expanded efforts to fight the opioid crisis, \$1 billion of which will be used for State Targeted Response Grants.

- Substance Abuse Prevention and Treatment Block Grant – \$1.9 billion (\$1.9 billion in FY 2017)

National Institutes of Health (NIH)

The Budget Request seeks \$34.8 billion for the National Institutes of Health (NIH). This is \$800 million above the FY 2017 level of \$34 billion.

- National Institute of Allergy and Infectious Disease: \$4.76 billion (\$4.9 billion in FY 2017)
- National Institute on Drug Abuse: \$1.14 billion (\$1.09 billion in FY 2017)
- National Center for Advancing Translational Sciences: \$685 million (\$706 million in FY 2017)
- National Cancer Institute: \$5.63 billion (\$5.4 billion in 2017)

Centers for Medicare and Medicaid Services (CMS)

The FY 2019 Budget Request for the Centers for Medicare and Medicaid Services (CMS) contains \$1.1 trillion in mandatory and discretionary outlays, a net increase of \$94.1 billion from the FY 2017 level. This level finances Medicare, Medicaid, the Children's Health Insurance Program (CHIP), other health insurance programs, program integrity efforts, and operating costs. The CMS legislative package promotes fiscal responsibility, increases state flexibility, builds on the recent repeal of the individual mandate, reforms graduate medical education (GME), and limits the practice of defensive medicine. In total, the Budget Request proposes targeted savings of \$632 billion in CMS mandatory programs over the next 10 years.

The FY 2019 Budget Request includes legislative proposals in Medicaid, which produce net savings to the federal budget of \$1,438.8 billion over 10 years. The Budget Request makes reforms to Medicaid's structure by moving to a per capita cap or block grant structure. The Budget Request also includes other Medicaid reforms such as giving states greater state flexibility to administer their Medicaid programs, focusing them on traditional Medicaid populations.

The FY 2019 Budget Request includes legislative proposals in Medicare that address: drug pricing and payment; the opioid epidemic; payment and delivery system reforms; waste, fraud, and abuse; Medicare appeals process reforms; and government-imposed provider burdens. These proposals would produce net savings to the federal budget of \$493.7 billion over 10 years. Additionally, the Budget Request restructures payments not directly related to Medicare's health insurance role. These payments are financed outside the Trust Funds.

CMS' Health Care Fraud and Abuse Control Program is funded at \$2.15 billion – \$1.3 billion in mandatory funding and \$770 million in discretionary funding (\$1.3 billion in mandatory funding and \$725 million in discretionary funding in FY 2017).

Administration for Children and Families (ACF)

The President's FY 2019 Budget Request proposes \$15.3 billion in discretionary spending for the ACF. This is \$4.4 billion below the FY 2017 level of \$19.7 billion.

- Low-Income Heating and Energy Assistance Program (LIHEAP): \$0 (\$3.4 billion in FY 2017)
- Unaccompanied Alien Children: \$1.1 billion (\$942 million in FY 2017)
- Community Services Block Grant: \$0 (\$708 million in FY 2017)
- Social Services Block Grant: \$1.7 billion (\$1.6 billion in FY 2017)

Office of the Secretary

- Office of the National Coordinator for Health Information Technology (ONC): \$38 million (\$60 million in FY 2017) The Budget proposes to eliminate the Health IT Adoption portfolio and would reduce administrative costs, noting that "the vast majority of physicians and hospitals have adopted electronic health records."

Proposed Program Eliminations

- Agency for Healthcare Research and Quality
- Community Services Block Grant
- Health Workforce Programs
- Low Income Home Energy Assistance Program
- SAMHSA Screening, Brief Intervention, and Referral to Treatment Program

Policy Highlights

Health Resources and Services Administration (HRSA) Proposals

- The Budget Request shifts mandatory funding to discretionary funding for: Health Centers, National Health Service Corps, Teaching Health Center Graduate Medical Education, Home Visiting, and Family-to-Family Health Information Centers.
- The Budget Request discontinues a number of workforce programs and "continues to prioritize programs that provide scholarships and loan repayments to health care students and professionals willing to meet service requirements in health professional shortage areas."

- The Budget Request eliminates funding for the Children's Graduate Medical Education Program (CHGME), and proposes to consolidate graduate medical education spending in Medicare, Medicaid, and CHGME into a new mandatory graduate medical education capped grant program jointly operated by the CMS and HRSA administrators.
- The Budget Request provides \$16 million in a new user fee on 340B drug purchases by covered entities. The proposal also includes "broad regulatory authority to HRSA to set enforceable standards of program participation and requires all covered entities to report on use of program savings."

Centers for Disease Control and Health Prevention (CDC) Proposals

- The Budget Request would move the National Institute for Occupational Health and Safety from the CDC to the NIH and reduce its funding from \$335 million to \$200 million.
- The Administration proposes a new "elimination initiative" focused on diseases such as HIV, viral hepatitis, sexually-transmitted infections, and tuberculosis. The Budget Request includes \$40 million to support the new demonstration project, which will focus efforts in select states/jurisdictions at high-risk for infectious disease, including those with high rates of opioid-related transmission.
- The Budget Request includes an initial allocation of \$175 million to address the opioid epidemic through providing additional funding to states to support overdose prevention activities, including safe prescribing practices, enhanced surveillance efforts, and improved timeliness of morbidity and mortality data.
- The Administration proposes a new \$500 million funding stream, the America's Health Block Grant, which was also included in the FY 2018 Budget Request. These awards would be distributed to states, tribes, and territories to encourage flexibility and a focus on the leading chronic disease challenges specific to each state. Suggested interventions include improvements in physical activity and nutrition of children and adolescents.
- The Strategic National Stockpile is transferred from CDC to HHS' Public Health and Social Services Emergency Fund. This reorganization streamlines the medical countermeasure development enterprise and increases operational efficiencies during emergency responses.
- The Budget Request provides \$409 million for CDC's global health activities, including \$109 million for the Global Disease Detection Program.

Office of the National Coordinator (ONC) Proposals

- As directed in the 21st Century Cures Act, ONC will combine its two federal advisory committees into a single "Health Information Technology Advisory Committee." The Health IT Advisory Committee will provide feedback on the draft Trusted Exchange Framework released by ONC and assist in developing an effective final framework and the associated common agreement called for by Congress.

Substance Abuse and Mental Health Services Administration Proposals

- The Budget Request maintains \$20 million for the Comprehensive Addiction and Recovery Act authorized programs. These programs expand training for first responders on the use of the opioid-overdose reversing drugs such as Naloxone and equips them with the needed drugs.
- The Budget Request includes \$15 million for a new Assertive Community Treatment for Individuals with Serious Mental Illness program, which was authorized by the 21st Century Cures Act.
- The Budget Request proposes \$563 million for the Community Mental Health Services Block Grant.

National Institutes of Health (NIH) Policy Proposals

- The Budget Request proposes a consolidation of the Agency for Healthcare Research and Quality (AHRQ) into the NIH and merges select research activities within a new National Institute for Research Safety and Quality (NIRSQ).
- The Budget Request would move the National Institute for Occupational Health and Safety from the CDC to the NIH and reduce its funding from \$335 million to \$200 million.
- Managed by the Foundation for NIH, the Accelerating Medicines Partnership Program aims to transform the current model for developing new diagnostics and treatments by jointly identifying and validating promising biological targets for therapeutics. The Budget Request proposes an investment of \$500 million in a public-private partnership to accelerate the development of safe, non-addictive, and effective strategies to prevent and treat pain, opioid misuse, and overdose.
- The Budget Request includes a dedicated fund of \$100 million in the Office of the Director Next Generation Researchers Initiative. This initiative began in FY 2017, and the fund would allow institutes and centers to draw from it in addition to efforts undertaken with their own appropriations.
- The Budget Request caps the percentage of an investigator salary that can be paid with grant funds at \$187,000 rather than \$152,000.

Office of the Secretary Proposals

- The Budget Request allocates \$10 million within the Office of the Secretary for a new focus on Opioids and Serious Mental Illness.

Health Reform Proposal

The FY 2019 Budget Request includes \$679.7 billion in net deficit savings over 10 years from the repeal and replacement of the Affordable Care Act (ACA). According to the Budget justification, a repeal and replace approach would:

- Pass legislation modeled after the Graham-Cassidy-Heller-Johnson (GCHJ) Act and support states as they transition to health care programs that provide further choices for their citizens (\$306.6 billion in savings to HHS and \$679.7 billion in government-wide net deficit reduction over 10 years)

- Reduce the grace period for exchange premiums (\$1.3 billion in savings to Treasury over 10 years) (no HHS budget impact)
- Permit federally-facilitated exchange states to conduct qualified health plan certification (no budget impact)
- Provide appropriation to pay cost-sharing reductions (CSRs) (no budget impact)
- Fully fund the risk corridors program (\$812 million in FY 2018) (no FY 2017 allocation)
- Prohibit governmental discrimination against health care providers that refuse to cover abortion (no budget impact)
- Reform medical liability (\$30.8 billion in savings to HHS programs and \$52.1 billion in government-wide net deficit reduction over 10 years)
- Reform GME payments by consolidating federal GME spending from Medicare, Medicaid, and Children's Hospitals GME Program to a single grant program for teaching hospitals (\$48.1 billion in savings over 10 years)

Medicaid Legislative Proposals

- Increase the limit on Medicaid copayments for non-emergency use of the emergency department (\$1.3 billion in savings over 10 years)
- Allow states to apply asset tests to modified adjusted gross income standard populations (\$2.1 billion in savings over 10 years)
- Provide a pathway to make permanent established Medicaid managed-care waivers (no budget impact)
- Increase flexibility in duration of Section 1915 (b) managed care waivers (no budget impact)
- Reduce the maximum allowable home equity for Medicaid eligibility (no budget impact)
- Require documentation of satisfactory immigration status before receipt of Medicaid benefits (\$2.2 billion in savings over 10 years)
- Define lottery winnings and other lump-sum payments as income for Medicaid eligibility (\$50 million in savings over 10 years)
- Test allowing state Medicaid programs to negotiate prices directly with drug manufacturers and set formulary for coverage (\$85 million in savings over 10 years)
- Prohibit Medicaid payments to public providers in excess of costs (budget impact not available)
- Continue Medicaid Disproportionate Share Hospital (DSH) allotment reductions (\$19.5 billion in savings over 10 years)
- Clarify definitions under the Medicaid Drug Rebate Program to prevent inappropriately low manufacturer rebates (\$319 million in savings over 10 years)
- Require coverage of all Medication Assisted Treatments (MAT) in Medicaid (\$865 million in savings over 10 years)
- Allow for federal/state coordinated review of dual eligible Special Needs Plan (SNP) marketing materials (no budget impact)

- Improve appeals notifications for dually eligible individuals in integrated health plans (no budget impact)
- Clarify the Part D special enrollment period for dually eligible beneficiaries (no budget impact to Medicaid)

Medicaid Multi-Agency Proposals

- Repeal and Replace the ACA (\$1.4 trillion in Medicaid savings over 10 years)
- Reform GME (\$21.2 billion in Medicaid savings over 10 years)
- Reform medical liability (\$57 million in net Medicaid savings over 10 years)
- Change conditions on first generic exclusivity to spur access and competition (budget impact not available)
- Reduce waste, fraud, abuse, and improper payments in Medicaid (\$8 million in Medicaid savings over 10 years)

Medicaid Administrative Proposals

- Require minimum standards in Medicaid state drug utilization review programs (\$245 million in savings to Medicaid assumed over 10 years)
- Make Medicaid non-emergency medical transportation optional (no budget impact)
- Improve data collection on Medicaid supplemental payments (no budget impact)

Medicare Legislative Proposals

- Require Medicare Part D plans to apply a substantial portion of rebates at the point of sale (\$42.2 billion in costs over 10 years)
- Establish a beneficiary out-of-pocket maximum in the Medicare Part D catastrophic plans (\$7.4 billion in costs over 10 years)
- Exclude manufacturer discounts from the calculation of beneficiary out-of-pocket costs in Medicare Part D coverage gap (\$47.0 billion in savings over 10 years)
- Increase Medicare Part D plan formulary and flexibility (\$5.5 billion in savings over 10 years)
- Eliminate cost-sharing on generic drugs for low-income beneficiaries (\$210 million in savings over 10 years)
- Permanently authorize a successful pilot on retroactive Medicare Part D coverage for low-income beneficiaries (\$300 million in savings over 10 years)
- Improve manufacturers' reporting of average sales prices to set accurate payment rates (no budget impact)
- Address abusive drug pricing by manufacturers by establishing an inflation limit for reimbursement of Part B drugs (budget impact not available)
- Authorize the HHS Secretary to leverage Medicare Part D plans' negotiating power for certain drugs covered under Part B (budget impact not available)

- Modify payment for drugs hospitals purchased through the 340B Drug Discount Program and require a minimum level of charity care for hospitals to receive a payment adjustment related to uncompensated care (budget impact not available)
- Reduce wholesale acquisition cost based payments (budget impact not available)
- Require plan participation in program to prevent prescription drug abuse in Medicare Part D (\$100 million in savings over 10 years)
- Provide comprehensive coverage of substance abuse treatment in Medicare (budget impact not available)
- Give Medicare beneficiaries with high deductible plans the option to make tax deductible contributions to health savings accounts (HSAs) or medical savings accounts (MSAs) (\$180 million in Medicare costs over 10 years)
- Modify Medicare payments to hospitals for uncompensated care (\$138.4 billion in Medicare savings over 10 years – this proposal would increase spending from general revenues by \$68.9 billion over 10 years, for a net savings to the federal government of \$69.5 billion over 10 years)
- Address excessive payment for post-acute care providers by establishing a unified payment system based on patients' clinical needs rather than site of care (\$80.2 billion in savings over 10 years)
- Reduce Medicare coverage of bad debts (\$37.0 billion in savings over 10 years)
- Pay all hospital-owned physician offices located off-campus at the physician office rate (\$34.0 billion in savings over 10 years)
- Reform and expand durable medical equipment (DME) competitive bidding (\$6.5 billion in savings over 10 years)
- Address excessive hospital payments by reducing payment when a patient is quickly discharged to hospice (\$1.3 billion in savings over 10 years)
- Cancel funding from the Medicare Improvement Fund (\$193 million in savings over 10 years)
- Expand basis for beneficiary assignment for accountable care organizations (ACOs) (\$140 million in savings over 10 years)
- Allow ACOs to cover the cost of primary care visits to encourage use of ACO providers (\$60 million in savings over 10 years)
- Expand the ability of Medicare Advantage (MA) organizations to pay for services delivered via telehealth (no budget impact)
- Reform physician self-referral law to better support and align with alternative payment models (APMs) and to address overutilization (budget impact not available)
- Require prior authorization when physicians order certain services excessively to their peers (budget impact not available)
- Repeal the Independent Payment Advisory Board (IPAB) (\$29.5 billion in costs over 10 years)

- Eliminate the reporting burden and arbitrary requirements for the use of electronic health records (EHRs) (no budget impact)
- Eliminate the unnecessary requirement of a face-to-face provider visit for DME (no budget impact)
- Simplify and eliminate reporting burdens associated with the Merit-based Incentive Payment System (MIPS) (no budget impact)
- Eliminate arbitrary thresholds and other burdens to encourage participation in advanced-APMs (budget impact not available)
- Provide additional resources for Medicare appeals (\$1.1 billion in net Medicare costs over 10 years)
- Change the Medicare Appeal Council's standard of review (no budget impact)
- Establish a post-adjudication user fee for Level 3 and Level 4 unfavorable Medicare appeals (no budget impact)
- Increase minimum amount in controversy for administrative law judge adjudication of claims equal amount required for judicial review (no budget impact)
- Establish magistrate adjudication for claims with amount controversy below new administrative law judge amount in controversy threshold (no budget impact)
- Expedite procedures for claims with no material fact in dispute (no budget impact)
- Limit appeals when no documentation is submitted (no budget impact)
- Remand appeals to redetermination level with the introduction of new evidence (no budget impact)
- Require a good-faith attestation on all appeals (no budget impact)
- Reduce waste, fraud, and abuse and improper payments in Medicare (\$907 million in Medicare savings over 10 years)
- Implement legislative proposals for Medicare-Medicaid enrollees (\$693 million in Medicare savings over 10 years)
- Reform GME payments (\$195.0 billion in Medicare savings over 10 years)
- Reform medical liability (\$30.7 billion in Medicare savings over 10 years)
- Change conditions on first generic exclusivity to spur access and competition (\$1.8 billion in Medicare savings over 10 years)

Medicare Administrative Proposals

- Implement a more accurate payment system for home health (\$16.7 billion in savings over 10 years)
- Eliminate excessive payment in MA by using claims data for patient encounters (\$11.1 billion in savings over 10 years)
- Eliminate excessive payment to MA employer group waiver plans by basing payment on competitive individual market plan bids (\$10.7 billion in savings over 10 years)
- Improve the valuation of physician services to set rates (no budget impact)

Program Integrity Legislative Proposals

- Suspend coverage and payment for questionable Part D prescriptions and incomplete clinical information (\$420 million in savings over 10 years)
- Prevent abuse of Medicare coverage when another source has primary responsibility for prescription drug coverage (\$410 million in savings over 10 years)
- Prevent fraud by enforcing reporting of enrollment changes through civil monetary penalties for providers and suppliers who fail to update enrollment records (\$32 million in collections over 10 years)
- Assess a penalty on physicians and practitioners who order services and supplies without proper documentation (no budget impact)
- Ensure providers who violate Medicare's safety requirements and have harmed patients cannot quickly re-enter the program (no budget impact)
- Require clearinghouses and billing agents acting on behalf of Medicare providers and suppliers to enroll in the program (no budget impact)
- Expand prior authorization to additional Medicare fee-for-service (FFS) items at high risk of waste, fraud, and abuse (budget impact not available)
- Streamline the Medicaid terminations process (no budget impact)
- Expand Medicaid fraud control unit review to additional care settings (budget impact not available)
- Implement prepayment controls to prevent in appropriate personal care services payments (budget impact not available)
- Allow revocation and denial of provider enrollment based on affiliation with sanctioned entity (\$53 million in savings over 10 years)
- Alter the open payments reporting and publication cycle (no budget impact)
- Clarify authority for the Healthcare Fraud Prevention Partnership (no budget impact)
- Consolidate provider enrollment screening for Medicare, Medicaid, and the CHIP (no budget impact)
- Publish the National Provider Identifier for covered recipients in the Open Payments Program (no budget impact)
- Prevent abusive prescribing by establishing HHS reciprocity with the Drug Enforcement Agency (DEA) to terminate provider prescribing authority (budget impact not available)
- Track high prescribers and utilizers of prescription drugs in Medicaid (budget impact not available)

Program Integrity Administrative Proposals

- Address excessive billing for DME that requires refills or serial claims (budget impact not available)
- Address overutilization and billing of DME equipment, prosthetics, and orthotics by expanding prior authorization (budget impact not available)

- Establish unique identifiers for personal care service attendants (budget impact not available)

Children's Health Insurance Program (CHIP) Legislative Proposal

- Extend Children's Health Insurance Program (CHIP) through 2019 with reforms (\$11.42 billion in FY 2019, \$16.25 billion in FY 2017)

Program Management Legislative Proposals

- Rebase National Medicare and You Education Program User Fee (\$30 million in additional collections in FY 2019)
- Change Medicare beneficiary education requirements (no budget impact)
- Improve safety and quality of care by requiring accreditation organizations to publicly report Medicare survey and certification reports (no budget impact)
- Tailor the frequency of SNF surveys to more efficiently use resources and alleviate burden for top performing nursing homes (no budget impact)
- Provide CMS program management implementation funding (\$200 million in costs over 10 years)

Administration for Children and Families (ACF) Proposals

- National Directory of New Hires and Program Integrity
 - The Budget Request outlines a new initiative known as The National Directory of New Hires, which provides employment and unemployment insurance information that enables state child support agencies to be more effective in locating noncustodial parents, as well as establishing and enforcing child support orders.
- Child Welfare: Performance and Prevention
 - The Budget Request's proposals for Child Welfare are intended to improve the performance of the child welfare system overall, and to prevent child maltreatment and entry into foster care. For participating states, the flexible funding option for foster care maintenance and administration will lift the burden of carrying out title IV-E eligibility determinations, allowing states to devote resources to strengthening and stabilizing families to keep children living safely at home, to improving outcomes for children in foster care, and to supporting families who adopt or assume legal guardianship of children in foster care who are unable to return home. Similarly, the proposal to expand Regional Partnership Grants extends the reach of this program to serve more children, families, and communities grappling with the impact of substance use disorders, including opioid abuse, on child welfare. A funding increase will allow this program to expand beyond the 19 states it currently serves, especially to reach rural areas reporting high rates of opioid abuse.

- Using Human Services Programs to Encourage Self-Sufficiency

- The Budget Request cites the Administration's vision for a "safety net that encourages state and local innovation and promotes the principle that gainful employment is the best pathway to economic self-sufficiency and family well-being." Specifically, the Administration:
 - Rescinded a policy that encouraged waivers from Temporary Assistance for Needy Families (TANF) work requirements;
 - Continues to work with Congress to enact reforms to the TANF program that will help states improve employment outcomes, including the Budget Request's proposed requirement that states spend at least 30% of federal TANF and state maintenance-of-effort funds on work, education, and training activities, work supports (including child care), and assessment/service provision for TANF eligible families;
 - Included a Budget Request proposal that would strengthen TANF's primary performance measure related to work engagement by replacing the caseload reduction credit with an employment credit that rewards states for moving TANF recipients to work, collapsing the two work participation rates into one standard rate, and allowing states to count partial credit towards the work participation rate to incentivize participation among all TANF recipients;
 - Incorporated a Budget Request proposal that supports partnerships between states, localities, and other federal agencies through new Welfare to Work projects, which will allow for the redesign of public assistance programs so that they provide an integrated approach to reducing poverty and government dependency and promoting personal responsibility; and
 - Continues to develop proposals that encourage states to reform how their local child support agencies engage with noncustodial parents.

Department of Homeland Security

Funding

The President's FY 2019 Budget Request seeks \$46 billion for the Department of Homeland Security (DHS), an increase of \$3.4 billion over the FY 2017 enacted level. The President also requests an additional \$7.2 billion for the Disaster Relief Fund, with \$6.7 billion directed to major declared disasters. This is consistent with previous budget requests for disaster aid.

The President's DHS funding priorities for FY 2019 are similar to those outlined in his FY 2018 Budget Request: border security; enforcement of immigration laws; critical infrastructure security; transportation security; and preparedness and resilience.

As part of his overall request for \$18 billion to construct a wall along the US-Mexico border, the President seeks \$1.6 billion for 65 miles of border wall construction in the Rio Grande Valley Sector (for FY 2018, the President requested \$1.6 billion for 74 miles of border wall construction in San Diego and other Texas areas; the remainder is expected to be part of the Administration's ongoing negotiations with Congress regarding the extension of the Deferred Action for Childhood Arrivals (DACA) program. The President also requests \$223 million for additional border security technology.

The President requests significant increases for the Customs and Border Protection (CBP) and Immigration and Customs Enforcement (ICE) agencies. The Budget Request proposes \$14.2 billion for CBP (\$12.1 billion in FY 2017) and \$8.3 billion for ICE (\$6.4 billion in FY 2017). The increases include \$211 million for CBP to hire 750 new Border Patrol agents and \$571 million for ICE to hire 2,000 new agents. ICE also requests \$2.5 billion to increase its capacity to detain immigrants (currently, ICE can detain approximately 39,000 individuals per day; the agency seeks to increase that to 52,000 individuals per day).

The U.S. Citizenship and Immigration Services (USCIS) agency requests \$109 million to increase operation of the E-Verify system. Additionally, the Budget Request proposes a 10% surcharge to immigration filing fees and a 35% increase in penalties assessed against employers who violate Immigration and Nationality Act (INA) provisions regarding the unlawful employment of illegal immigrants.

The Budget Request proposes \$7.7 billion for the Transportation Security Administration (TSA) (\$7.5 billion in FY 2017). Of this, \$3.2 billion is requested to hire an additional 687 officers and \$74 million is requested to acquire additional computed tomography scanners. As he did in FY 2018, the President proposes to eliminate the Law Enforcement Officer (LEO) Reimbursement Program.

The President proposes to significantly reduce several FEMA State and Local Government Programs, particularly Public Transportation, Railroad, and Port Security Assistance Grants. He also proposes to reduce the State Homeland Security Grant Program and the Urban Area Security Initiative by 25%, while also implementing a 25% non-federal cost share for those programs.

Funding Highlights

- Disaster Relief Fund: \$7.2 billion (\$7.3 billion in FY 2017)
- State Homeland Security Grants: \$349 million (\$467 million in FY 2017)
- Urban Area Security Initiative: \$448.8 million (\$580 million in FY 2017)
- Public Transportation Security Assistance and Railroad Security Assistance: \$36.4 million (\$100 million in FY 2017)
- Port Security Grants: \$36.4 million (\$100 million in FY 2017)
- Assistance to Firefighters Grants: \$344 million (\$345 million in FY 2017)
- SAFER Grants: \$344 million (\$345 million in FY 2017)
- Emergency Management Performance Grants: \$279 million (\$350 million in FY 2017)
- National Predisaster Mitigation Fund: \$39 million (\$100 million in FY 2017)
- Flood Hazard Mapping and Risk Analysis: \$100 million (\$177.5 million in FY 2017)
- Science and Technology Directorate: \$583 million (\$781 million in FY 2017)

Proposed Program Eliminations

- FEMA National Domestic Preparedness Consortium
- FEMA Emergency Food and Shelter Grants
- TSA Law Enforcement Officer Reimbursement Program

Policy Highlights

- Transfer of the Office of Health Affairs to the Countering Weapons of Mass Destruction Office (CWMD) and the Management Directorate's Office.

Sanctuary Cities

Through the DHS Budget Request, the President again proposes to make changes to 8 U.S.C. 1373 (Section 1373), which covers state and local jurisdiction communications with federal immigration officials. Noncompliance to Section 1373 has been identified as the threshold for designation as a "sanctuary city." The President's proposal covers communication with all of DHS (as opposed to just the Immigration and Naturalization Service, under current law) and proposes to clarify that state and local governments may not prohibit or restrict any government entity of official from honoring or complying with a civil immigration detainer and authorize DHS and the Department of Justice (DOJ) to condition certain grants and cooperative agreements on requirements that recipients agree to cooperate with specific federal immigration enforcement activities and requests.

Department of Housing and Urban Development

Funding

The President's FY 2019 Budget Request seeks \$39.2 billion for the Department of Housing and Urban Development (HUD), an \$8.8 billion or 18.3% percent decrease from the FY 2017 enacted level. As it did last year, the President's Budget Request proposes elimination of major block grant programs viewed by the Administration as duplicative or failing to demonstrate effectiveness, such as the Community Development Block Grant (CDBG) program. These proposals were roundly rejected by Congress in FY 2018. Furthermore, the Budget Request reflects the Administration's priority to shift community and economic development responsibilities to state and local governments and the private sector, which it mentions are "better equipped to respond to local conditions."

Funding Highlights

- Veterans Affairs Supportive Housing (VASH): \$4 million (reserved for Native American veterans) (\$47 million in FY 2017)
- Homeless Assistance Grants: \$2.4 billion (\$2.4 billion in FY 2017)
 - Continuum of Care: \$2.1 billion (\$2 billion in FY 2017)
 - Emergency Solutions Grants (ESG): \$255 million (\$310 million in FY 2017)
- National Homeless Data Analysis Project: \$7 million (\$7 million in FY 2017)
- Housing Opportunity for Persons with AIDS: \$330 million (\$356 million in FY 2017)
- Housing for the Elderly (Section 202): \$563 million (\$502 million in FY 2017)
- Housing for Persons with Disabilities (Section 811): \$132 million (\$146 million in FY 2017)
- Public Housing Operating Fund: \$3.1 billion (\$4.4 billion in FY 2017)
- Project-Based Rental Assistance (PBRA): \$10.9 billion (\$10.8 billion in FY 2017)
- Office of Lead Hazard Control and Healthy Homes: \$145 million (\$145 million in FY 2017)
 - Lead Hazard Control Program: \$60 million (\$58 million in FY 2017)
 - Lead Technical Studies: \$5 million (\$2 million in FY 2017)
 - Healthy Homes: \$25 million (\$30 million in FY 2017)
- Housing Counseling Assistance: \$45 million (\$55 million in FY 2017)
- Tenant-Based Rental Assistance: \$20 billion (\$20.3 billion in FY 2017)
 - Voucher Renewals: \$18.2 billion (\$18.3 billion in FY 2017)
 - Tenant Protection Vouchers: \$140 million (\$110 million in FY 2017)

In addition to the aforementioned funding amounts, the Administration's FY 2019 Budget Request addendum would provide an additional \$1 billion to HUD to avoid rent increases on elderly and disabled families receiving rental assistance. Funding would be provided across Public Housing Operating Fund, Tenant-Based Rental Assistance (i.e., Housing Choice Vouchers), Project-Based Rental Assistance, Housing for the Elderly, and Housing for Persons with Disabilities accounts.

The addendum would also provide an additional \$700 million for the Tenant-Based Rental Assistance account to restore funding for an estimated 200,000 housing vouchers. This would reverse the Budget Request's policy of not reissuing vouchers to families on the waitlist when households depart the program through normal turnover, and instead maintain the current services level of 2.2 million total vouchers.

Furthermore, the addendum would provide an additional \$300 million for the Public Housing Operating Fund account to assist Public Housing Authorities (PHAs) that could potentially face insolvency.

Proposed Program Eliminations

- Choice Neighborhoods
- Community Development Block Grant
- HOME Investment Program
- Public Housing Capital Fund
- Youth Homelessness Demonstration Program (YHDP)
- Interagency Council on Homelessness

Policy Highlights

The Budget Request proposes fundamental reforms across HUD's rental assistance programs. These reforms include increasing tenant rent contributions and minimum rents, reducing the frequency of income recertification, and allowing communities to design programs that address local needs. It would increase the amount of rent paid by tenants from 30% of adjusted income to 35% of gross income for all work-able households, but would mitigate this increase for the elderly and persons with disabilities. For those tenants who, in certain circumstances, are unable to pay their rents, the Budget Request includes a hardship exemption. Additionally, the Budget Request proposes to decrease the Public Housing portfolio through locally determined options, including strategically releasing certain housing assets to local control.

The Budget Request states that HUD will submit a specific rental assistance reform legislative proposal to Congress in March 2018. Key elements of this package will include:

- Establishing or increasing mandatory minimum rents
- Simplifying rent calculations and increasing tenant rent contributions
- Providing a hardship exemption for tenants, who, in certain circumstances, are unable to pay their rents

- Limiting income recertification for all households to once every three years, which the Administration believes incentivizes work by deferring increases in tenant rent payments as a result of increased wages
- Giving PHAs and property owners the option to choose alternative rent structures, approved by the Secretary, that work best for their communities, as well as the option to implement minimum work requirements for work-able residents

The Budget Request proposes funding to evaluate EnVision Centers, as well as to adjust the program design and improve implementation to better align with the Administration's philosophies. The establishment of EnVision Centers was announced in late 2017 to help HUD-assisted households achieve self-sufficiency. Centers depend on partnerships with non-profits, corporations, and state and local governments. Additionally, they are located in communities that rely on HUD-assisted housing and focus on the Administration's "four pillars of self-sufficiency," which include economic empowerment, educational advancement, health and wellness, and character and leadership.

Reflecting the Administration's emphasis of personal accountability, the Budget Request proposes \$75 million for the Family Self-Sufficiency (FSS) program, which provides funds to PHAs to support the salaries of service coordinators who connect participating families to an array of services. Such services are provided by other state, city, and local programs and include job training, financial counseling, and other supportive services. The Budget Request notes that HUD continues to study best practices for evaluating and measuring FSS program success.

The Budget Request preserves access to sustainable homeownership opportunities for creditworthy borrowers through Federal Housing Administration (FHA) and Ginnie Mae credit guarantees. Specifically, the Budget Request proposes an additional \$20 million above the FY 2017 enacted level of \$130 million for FHA to upgrade its operations by investing in information technology and contract support. This additional funding is fully offset by a modest fee on new FHA lenders.

The Budget Request proposes to eliminate the Housing Trust Fund and the Capital Magnet Fund, as well as the Fannie Mae and Freddie Mac assessments that fund each.

Department of the Interior

Funding

The President's FY 2019 Budget Request seeks \$11.7 billion for the Department of the Interior (DOI), a \$1.9 billion decrease from the FY 2017 enacted level. The Budget Request for DOI prioritizes energy development programs, infrastructure improvements on public lands, and DOI-wide reorganization efforts.

Funding Highlights

- Bureau of Reclamation, Water, and Related Resources: \$1 billion (\$1.3 billion in FY 2017)
 - WaterSMART grants: \$10 million (\$24 million in FY 2017)
 - Title XVI Water Reclamation & Reuse Program: \$3 million (\$34.4 million in FY 2017)
 - Drought Response: \$2.9 million (\$7.5 million in FY 2017)
- National Park Service: \$2.7 billion (\$2.9 billion in FY 2017)
 - Historic Preservation Fund: \$32.7 million (\$80.91 million in FY 2017)
 - Payments in Lieu of Taxes (PILT): \$465 million (\$465 million in FY 2017)

Proposed Program Eliminations

- Abandoned Mine Land Grants
- National Heritage Areas
- National Wildlife Refuge Fund Payments to Local Governments

Policy Highlights

The Budget Request proposes \$18 million to help initiate DOI's internal reform plan, which would move away from the current bureau and state-based regional system of management toward an integrated federal land and water management approach organized around watersheds. This "one-agency model" approach proposes to improve cross-bureau collaboration, reduce duplication, and move resources closer to land management units.

It also proposes the establishment of a new Public Lands Infrastructure Fund to help pay for repairs and improvements in national parks, wildlife refuges, and at Bureau of Indian Education schools. It recommends providing \$6.5 billion over 10 years, starting with \$152 million in FY 2019 and increasing to \$878 million by FY 2028.

The Budget Request would fund 100% of the rolling 10-year average cost for wildfire suppression in the Departments of Agriculture and DOI. The Budget Request also proposes a separate fund that would include an annual cap adjustment appropriation for wildfire suppression operations, in order to ensure that adequate resources are available to fight wildland fires.

The Budget Request does not propose any new starts for the Bureau of Reclamation, but rather focuses resources on operating, maintaining, and rehabilitating existing infrastructure.

Department of Justice

Funding

The President's FY 2019 Budget Request seeks \$28 billion for the Department of Justice (DOJ), a \$345 million decrease from FY 2017 enacted levels. The President's Budget Request prioritizes funding to reduce violent crime, enforce immigration laws, and address the opioid epidemic. As such, the Budget Request proposes increases for federal law enforcement agencies, including: the Federal Bureau of Investigation (FBI); the Drug Enforcement Administration (DEA); the Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF); the U.S. Marshals Service; the Organized Crime Drug Enforcement Task Force; and the International Organized Crime Intelligence Operations Center.

The President requests \$65.9 million (a 28% increase over FY 2017) for DOJ's Executive Office for Immigration Review (EOIR) to enhance enforcement of immigration laws, including \$39.8 million for 75 new Immigration Judge teams and \$25 million for modernize Immigration Court technology.

To address the opioid crisis, the Budget Request proposes \$66 million to the DEA specifically for opioid efforts (an increase of \$41 million over FY 2017), including eight new heroin enforcement groups, and \$421 million for DEA's Diversion Control Fee Account. The President also proposes to transfer the High Intensity Drug Trafficking Area program from the Office of National Drug Control Policy (ONDCP) to DOJ. For state and local opioid efforts, the Budget Request includes \$103 million for continued implementation of the Comprehensive Addiction and Recovery Act (CARA):

- Comprehensive Opioid Abuse Grant Program: \$20 million (\$13 million in FY 2017)
- Drug Court Program: \$43 million (\$43 million in FY 2017)
- Mental Health Collaborations: \$10 million (\$12 million in FY 2017)
- Veterans Treatment Courts: \$6 million (\$7 million in FY 2017)
- Residential Substance Abuse Treatment: \$12 million (\$14 million in FY 2017)
- Prescription Drug Monitoring: \$12 million (\$14 million in FY 2017)

The Budget Request again proposes the elimination of \$210 million for the State Criminal Alien Assistance Program (SCAAP) and decreases COPS Hiring Program funding by nearly half, from \$195 million in FY 2017 to \$99 million in FY 2019, while also merging the COPS Office into the Office of Justice Programs.

Funding Highlights

- Byrne Memorial Justice Assistance Grants (JAG): \$402 million (\$403 million in FY 2017), of which \$22.5 million is for a competitive matching grant program for state and local body-worn camera acquisition (\$22.5 million in FY 2017), \$22.5 million is for the Bulletproof Vest Program (\$22.5 million in FY 2017), and \$15 million is for the VALOR Initiative (\$7.5 million in FY 2017)
- Victims of Trafficking: \$45 million (\$45 million in FY 2017)
- Second Chance/Offender Reentry: \$58 million (\$68 million in FY 2017), including \$10 million for the Bureau of Prisons apprentice program

- Community Teams to Reduce the Sexual Assault Kit Backlog: \$45 million (\$37 million in FY 2017)
- COPS Hiring: \$99 million (\$195 million in FY 2017)
- Office of Violence Against Women Prevention and Prosecution Programs: \$486 million (\$479 million in FY 2017)
- STOP Grants: \$215 million (\$215 million in FY 2017)
- Transitional Housing Assistance: \$33 million (\$30 million in FY 2017)
- Grants to Encourage Arrest Policies: \$51 million (\$49 million in FY 2017)
- Sexual Assault Services: \$35 million (\$35 million in FY 2017)
- Grants to Reduce Violent Crimes Against Women on Campus: \$20 million (\$20 million in FY 2017)
- Juvenile Justice Programs: \$236 million (\$238 million in FY 2017)
- Part B Formula Grants: \$58 million (\$55 million in FY 2017)
- Youth Mentoring: \$58 million (\$80 million in FY 2017)
- Delinquency Prevention Program: \$17 million (\$14.5 million in FY 2017)
- Assets Forfeiture Fund: \$20.5 million (\$20.5 million in FY 2017)

Proposed New Programs and Enhancements

- \$140 million for the Violent Gang and Gun Crime Reduction Program/Project Safe Neighborhoods (PSN), designed to create safer neighborhoods through sustained reductions in gang violence and gun crime. The President also proposed this initiative in his FY 2018 Budget Request.

Proposed Program Eliminations

- State Criminal Alien Assistance Program (SCAAP)
- Comprehensive School Safety Initiative
- Justice Reinvestment Initiative

Policy Highlights

Sanctuary Cities

Through the DHS Budget Request, the President again proposes to make changes to 8 U.S.C. 1373 (Section 1373), which covers state and local jurisdiction communications with federal immigration officials. Noncompliance to Section 1373 has been identified as the threshold for designation as a "sanctuary city." The President's proposal covers communication with all of DHS (as opposed to just the Immigration and Naturalization Service, under current law) and proposes to clarify that state and local governments may not prohibit or restrict any government entity of official from honoring or complying with a civil immigration detainer and authorize the DHS and DOJ to condition certain grants and cooperative agreements on requirements that recipients agree to cooperate with specific federal immigration enforcement activities and requests.

Department of Labor

Funding

The President's FY 2019 Budget Request seeks \$10.9 billion in discretionary appropriations for the U.S. Department of Labor (DOL), a \$1.1 billion or 9% decrease from the Department's FY 2017 enacted level of \$12 billion.

The Budget Request prioritizes programs that support the creation of family-sustaining jobs, seeks to address the skills gap through apprenticeships, and prioritizes workplace safety. The Budget Request proposes a \$200 million investment in apprenticeships, while prioritizing matching job creators with job seekers. It also includes paid family leave for new parents, with a proposal to provide six weeks of paid family leave to new mothers and fathers, including adoptive parents. Finally, the Budget Request addresses workplace safety through worker safety laws and compliance assistance outreach.

Funding Highlights

- Employment and Training Services: \$2.1 billion in discretionary funding (\$3.3 billion in FY 2017)
 - Adult Employment and Training: \$490 million (\$813 million in FY 2017)
 - Youth Activities: \$583 million (\$873 million in FY 2017). Grants to support activities and services to prepare low-income youth for academic and employment success including summer and year-round jobs
 - Dislocated Workers: \$650 million (\$1.2 billion in FY 2017)
 - Youthbuild: \$58.96 million (\$84.5 million in FY 2017). Grants that impart education and occupational skills by providing academic training and occupational skills training
- Veterans Employment and Training: \$236.901 million (\$279 million in FY 2017)
 - Transition Assistance Program: \$17 million (\$14.6 million in FY 2017) Provides employment workshops for service members and their spouses to prepare these individuals for reentry into the civilian workforce
 - Homeless Veterans Reintegration Program (HVRP): \$45 million (\$50 million in FY 2017) Provides grants to operate employment programs to reach out to homeless veterans to assist in reintegrating them
- Job Corps: \$1.3 billion (\$1.7 billion in FY 2017) The budget proposes to reform Job Corps by closing low-performing centers, refocusing resources on centers that have more success, and piloting new approaches to service delivery while focusing the program on youth most likely to benefit from the intervention. The FY 2019 Budget also proposes to end the U.S. Department of Agriculture's role in the program.

- Reintegration of Ex-Offenders (RExO): \$88 million (\$88 million in FY 2017). Supports activists through the Second Chance Act to help individuals exiting prison to make a successful transition to community life and long-term employment through mentoring, job training and other services
- Bureau of International Labor Affairs: \$19 million (\$86 million in FY 2017)
- Office of Disability Employment Policy (ODEP): \$27 million (\$38 million in FY 2017)

Proposed Program Eliminations

- Migrant and Seasonal Farmworker Training program (also known as the National Farmworker Jobs Program)
- Indian and Native American Program
- OSHA Susan Harwood Training Grant Program
- Senior Community Service Employment Program

Policy Highlights

The FY 2019 Budget Request includes a proposal that would establish a federal-state paid parental leave benefit program within the unemployment insurance (UI) program that would begin in 2021. The program would provide six weeks of benefits for new mothers and fathers, including adoptive parents. The purpose of the benefit is to help families recover from childbirth and to bond with their new children.

The Budget Request seeks to invest \$200 million in apprenticeships, prioritizing matching job creators with job seekers. It encourages activities that support and expand apprenticeship programs at the state and local levels through a range of activities, such as state-specific outreach strategies, partnerships, economic development strategies, and expanded access to apprenticeship opportunities for underrepresented populations through pre-apprenticeships and career pathways. The Budget Request also creates an Office of Apprenticeship, to establish a new industry-recognized apprenticeship system to modernize and expand the country's approach to apprenticeships. The Office would also oversee the administration of a federal-state apprenticeship structure that would register apprenticeship-training programs, and would provide outreach to employers and labor organizations to promote and develop high-quality apprenticeship programs.

Finally, the Budget Request calls for a \$67 million reduction for the Bureau of International Labor Affairs (ILAB). The cuts come from the elimination of ILAB's grant funding, which is used for, among other things, combating child labor and promoting worker rights internationally.

Department of Transportation

Funding

The President's FY 2019 Budget Request proposes \$76.8 billion for the Department of Transportation (DOT), a \$200 million decrease from FY 2017 enacted levels. The Budget Request proposes \$60.9 billion to fully fund surface transportation programs authorized by the Fixing America's Surface Transportation (FAST) Act and \$15.9 billion in federal funding for appropriated programs, a \$2.6 billion decrease from FY 2017. The President's Budget Request also proposes spending \$200 billion over ten years to support a federal infrastructure proposal.

As he did in his FY 2018 Budget Request, the President again proposes to eliminate the Transportation Investment Generating Economic Recovery (TIGER) grant program, which was funded at \$500 million in FY 2017, and to reduce the Capital Investment Grant (New Starts/Small Starts) to \$1 billion in FY 2019 from \$2.41 billion in FY 2017, providing funding to projects with existing full funding grant agreements (FFGAs).

Funding Highlights

Federal Transit Administration (FTA)

- New Starts/Small Starts: \$1 billion (\$2.41 billion in FY 2017)
- Washington Metropolitan Area Transit Authority (WMATA): \$120 million (\$150 million in FY 2017)

Federal Railroad Administration (FRA)

- Amtrak: \$737.9 million (\$1.5 billion in FY 2017)
- Safety and Operations: \$202.3 million (\$218.3 million in FY 2017)
- Research and Development: \$19.6 million (\$40.1 million in FY 2017)

National Highway Traffic Safety Administration (NHTSA)

- Operations and Research: \$304.5 million (\$326 million in FY 2017)
- Highway Traffic Safety Grants: \$610 million (\$585 million in FY 2017)

Office of the Secretary (OST)

- Research and Technology: \$7 million (\$13 million in FY 2017)
- Cyber Security Initiative: \$10 million (\$15 million in FY 2017)
- Essential Air Service: \$93 million (\$150 million in FY 2017)
- TIGER: \$0 (\$500 million in FY 2017)

Federal Aviation Administration (FAA)

- Grants-in-Aid for Airports: \$3.35 billion (\$3.35 billion in FY 2017)
- Facilities and Equipment: \$2.77 billion (\$2.86 billion in FY 2017)
- Operations: \$9.93 billion (\$10.03 billion in FY 2017)
- Research, Engineering, and Development: \$74.4 million (\$176.5 million in FY 2017)
- Contract Tower Program: \$197 million (\$151 million in FY 2017)

Proposed Program Eliminations and Reductions

- Capital Investment Grants (New Starts/Small Starts): The Budget Request proposes to significantly reduce funding for the New Starts/Small Starts program, which is funded from the General Fund, and only provide funding to projects with existing full funding grant agreements (FFGAs). The FY 2019 Budget Request would reduce funding from \$2.41 billion in FY 2017 to \$1 billion in FY 2019. The Budget Request states that future investments in new transit projects should be funded by the localities that use and benefit from the localized projects.
- Transportation Investment Generating Economic Recovery (TIGER) Grants: The Budget Request proposes to eliminate the TIGER grant program. The FY 2019 Budget Request notes that many of the projects under the TIGER grant program are eligible under existing formula programs and suggests that the Infrastructure For Rebuilding America (INFRA) grant program better funds projects with national or regional benefits.
- Essential Air Service (EAS): The Budget Request proposes reducing EAS discretionary funding to \$93 million from \$150 million in FY 2017. The FY 2019 Budget Proposal proposes reforming the EAS program by adjusting EAS eligibility based on driving distance to nearby airports, increasing the subsidy caps, and placing limits on the waiver authority for the 10-enplanement requirement.
- Amtrak: The Budget Request proposes to significantly reduce funding for Amtrak to focus on the Northeast Corridor and State-Supported services, while requiring state contributions equal to federal contributions for long-distance routes. The FY 2019 Budget Proposal would reduce grants for Amtrak from \$1.5 billion in FY 2017 to \$737.9 million in FY 2019.

Policy Highlights

Infrastructure Proposal: The FY 2019 Budget Request also includes the President's infrastructure plan, which proposes spending \$200 billion over ten years for new infrastructure grant programs, increased funding for DOT and United States Department of Agriculture (USDA) loan programs, expanded Private Activity Bonds (PABs), and a federal capital financing fund:

- Infrastructure Incentives Initiative: \$100 billion
- Rural Infrastructure Program: \$50 billion
- Transformative Projects Program: \$20 billion
- DOT and USDA Credit Programs: \$14 billion
- PABs: \$6 billion

In several fundamental ways, the plan seeks to re-write the rules of how infrastructure projects are advanced and funded at the federal level.

The plan offers a significantly reduced federal share for infrastructure project grants under its Infrastructure Incentives Initiative, shifting greater funding responsibility to states and local governments. At the same time, the plan greatly expands infrastructure finance tools that provide lower-cost loans to both public and private infrastructure project sponsors and makes long-sought improvements to several categories of infrastructure PABs to provide privately-advanced projects with enhanced access to tax-exempt debt. Beyond PABs, the plan includes several tools to increase private sector infrastructure investment, including liberalized tolling provisions, simplified rules for the disposition of federal assets, and support for asset recycling.

With the stated aim of completing federal environmental and other permitting approvals within two years, the proposal would significantly revise a number of federal environmental review and project delivery requirements. Additionally, the proposal would provide state and local governments more control over infrastructure projects through the delegation of permitting authority and relaxed federal requirements for smaller projects. State and local governments would also be permitted to repay the federal portion of completed infrastructure projects to release them from the federal requirements associated with federal infrastructure grants.

Aviation: The President's FY 2019 Budget Request incorporates a proposal to reform the air traffic control (ATC) system and transfer ATC system responsibilities to a non-governmental, non-profit corporation.

Unmanned Aircraft Systems (UAS): The Budget Request proposes \$73 million for the FAA's efforts to safely integrate UAS into the U.S. National Air Space (NAS).

Automated Vehicles (AVs): The Budget Request includes \$10 million for NHTSA to accelerate AV deployment. The funding would be used as an initial investment to enhance NHTSA's long-term ability to develop system safety performance tests for AVs, evaluate the effects of emerging transportation technologies on crash avoidance and occupant protection, and adapt Federal Motor Vehicle Safety Standards (FMVSS) to accommodate AVs.

The Budget also highlights the Federal Highway Administration's (FHWA) efforts to test vehicle-to-vehicle (V2V) and vehicle-to-infrastructure (V2I) communications, and requests \$4.6 million for an AV initiative at the Federal Motor Carrier Safety Administration (FMCSA) designed to enable the safe operation of automated commercial motor vehicles (CMVs) on US highways. The Budget Request also notes that FTA will prioritize public applications of automation technologies as part of its \$6 million Mobility Innovation Program in FY 2019.

Department of the Treasury and Financial Services Regulators

Funding

The President's FY 2019 Budget Request of the Department of Treasury (Treasury) requests \$12.3 billion in base discretionary resources for domestic programs and \$1.4 billion for Treasury's international programs.

Following the most comprehensive tax overhaul in over three decades, the Budget Request also requests \$11.1 billion for the Internal Revenue Service (IRS) to help implement the recently enacted tax reform legislation. This funding includes \$199 million to further invest in cybersecurity safeguards and modern customer service options. In addition to base discretionary resources, the Budget Request proposes a program integrity initiative to support deficit reduction and narrow the gap between taxes owed and taxes paid; the FY 2019 Budget Request investment is \$362 million, with additional resources to be provided in later years. According to Treasury, these investments will generate approximately \$43.8 billion in additional revenue and will cost approximately \$15 billion, yielding an estimated net savings of \$28.8 billion over ten years.

Notably, the Budget Request proposes placing the Financial Stability Oversight Council (FSOC) and the Office of Financial Research (OFR) under the Congressional appropriations process, along with continued cuts to OFR's budget. As for other financial services regulators, the Budget Request proposes to fund the Securities and Exchange Commission (SEC) at \$1.7 billion and the Commodity Futures Trading Commission (CFTC) at \$250 million.

Proposed Program Eliminations

- Community Development Financial Institutions (CDFI) Fund's discretionary grant and direct loan programs
- SEC's Reserve Fund

Policy Highlights

Overall, the Budget Request includes relatively few tax policy priorities. In fact, for the second year in a row, Treasury again did not and does not have plans to release the Greenbook, which generally accompanies each year's budget and includes detailed explanations of an administration's tax proposals and cost estimates. That said, the Treasury Department has indicated that its Office of Tax Policy will release a "more robust version of the tax policies" in next year's budget, after the tax reform law has been more fully implemented this year.

Beyond tax reform, the Administration is using the Budget Request to reaffirm its commitment to "maintain a strong economy and create economic and job opportunities by promoting conditions that enable economic growth and stability at home and abroad; strengthen national security by combating threats and protecting the integrity of the financial system; and manage the US Government's finances and resources effectively."

As for one of those priorities – national security – the Budget Request proposes modest increases to counter-terrorist financing offices within Treasury, requesting \$159 million for Treasury's Office of Terrorism and Financial Intelligence (TFI) and \$118 million for the Financial Crimes Enforcement Network (FinCEN) to allow them to "continue their critical work safeguarding the financial system from abuse and combating other national security threats using non-kinetic economic tools." Further, Treasury plans to deploy these additional resources to "economically isolate North Korea, stand up the Terrorist Financing Targeting Center in Saudi Arabia, implement the Countering America's Adversaries Through Sanctions Act, and counter the financial networks that support terrorists, organized transnational crime, weapons of mass destruction proliferators, and other threats."

Finally, continuing its focus on financial services regulatory reform, the Budget Request proposes restructuring the Consumer Financial Protection Bureau (CFPB) and limiting its mandatory funding in 2019 to allow for an efficient transition period and bring the "newly streamlined agency" into the appropriations process beginning in 2020.

Environmental Protection Agency

Funding

The President's FY 2019 Budget Request proposes \$6.1 billion for the Environmental Protection Agency (EPA), a \$2.8 billion or 34% decrease from the FY 2017 enacted level. The Budget Request reflects the agency's priorities of "protecting the air, land, and water from pollution while reducing and eliminating lower priority activities and voluntary programs."

The Budget Request notes that EPA's priorities for FY 2019 are to improve drinking water and clean water infrastructure, as well as to provide increased support for Brownfields and Superfund projects. Specifically, it says that the Budget Request would allow the agency to increase non-federal dollars leveraged by EPA water infrastructure programs by \$16 billion by the end of FY 2019 (through the Clean Water and Drinking Water State Revolving Funds and the Water Infrastructure Finance and Innovation Act). Additionally, it notes that it would allow EPA to accelerate the pace of cleanups and make an additional 102 Superfund sites and 1,368 Brownfields sites ready for anticipated use by the end of FY 2019. Furthermore, it indicates that EPA intends to focus efforts to clean up and propel development at Superfund sites that offer the greatest expected redevelopment and commercial potential.

Funding Highlights

- Water Infrastructure Finance and Innovation Act (WIFIA): \$20 million (\$30 million in FY 2017)
 - \$3 million for administrative expenses
 - \$17 million for the subsidy costs of loans and loan guarantees
- Brownfields Project: \$62 million (\$80 million in FY 2017)
- Clean Water State Revolving Fund: \$1.39 billion (\$1.39 billion in FY 2017)*
- Drinking Water State Revolving Fund: \$863 million (\$863 million in FY 2017)*

**The FY 2019 Budget Request addendum would provide an additional \$397 million to be divided between the Clean Water and Drinking Water State Revolving Funds*

Proposed Program Eliminations

- Beaches Protection
- Gulf of Mexico Restoration
- San Francisco Bay Restoration
- South Florida Restoration/Protection
- US-Mexico Border Water Infrastructure Program
- Lead Risk Reduction Program
- WaterSense

Policy Highlights

The Budget Request provides \$27 million for "Multipurpose Grants" within EPA's Categorical Grant portfolio totaling \$597 million. States would be able to spend this funding on any statutorily mandated delegated duty. This proposal would enable each state to set its own environmental priorities and quickly respond to new threats as they arise.

In addition to providing \$762 million for the Hazardous Substance Superfund Account, the Budget Request also supports the recommendations made in EPA's Superfund Task Force Report to identify impediments to expeditious clean up at sites with significant exposure risks and to bring more private funding to the table for redevelopment.

The Budget Request includes a proposal to authorize EPA to administer the ENERGY STAR program through the collection of a "modest" user fee collected from product manufacturers that seek to label their products under the program. It indicates that fee collections would begin after EPA undertakes a rulemaking process to determine which products would be covered by fees and the level of fees, and to ensure that a fee system would not discourage manufacturers from participating in the program.

The Budget Request also includes a new fee proposal in the Oil Spill Prevention, Preparedness, and Response program to better support compliance assistance work for Facility Response Plan (FRP) and Spill Prevention Control and Countermeasure (SPCC) facilities.

US Army Corps of Engineers

Funding

The President's FY 2019 Budget Request seeks \$4.8 billion for the U.S. Army Corps of Engineers (USACE), a more than 20% decrease from the FY 2017 enacted level. The Budget Request proposes reforms to how the nation invests in water resources projects by reducing the reliance on federal funding and control, and instead providing states, local governments, and the private sector more flexibility to make local investments.

Funding Highlights

- USACE: \$4.8 billion (\$6.03 billion in FY 2017)
 - Investigations: \$82 million (\$121 million in FY 2017)
 - Construction: \$872 million (\$1.88 billion in FY 2017)
 - Operation and Maintenance: \$2 billion (\$3.15 billion in FY 2017)
 - Harbor Maintenance Trust Fund: \$965 million (\$1.3 billion in FY 2017)
 - Inland Waterways Trust Fund: \$5 million (\$75.3 million in FY 2017)

Policy Highlights

The Budget Request proposes prioritizing the completion of ongoing construction projects over funding new starts projects. It also notes that it will prioritize projects that address a significant risk to public safety. The Budget Request says this will enable USACE to focus on completing ongoing priority projects faster for lesser cost.

The Budget Request also proposes to reform the laws governing the Inland Waterways Trust Fund, including an annual per vessel fee for commercial users, to help finance future capital investments on these waterways and a portion of the cost of operating and maintaining them.

Additionally, the Budget Request proposes to reduce the Harbor Maintenance Tax to allow ports to have greater flexibility in determining appropriate fees for services they provide.

Other Agencies

Corporation for National and Community Service

The President's FY 2019 Budget Request proposes to eliminate the Corporation for National and Community Service (CNCS), which administers funding for national service programs, such as AmeriCorps and SeniorCorps.

National Aeronautics and Space Administration

Funding

The President's FY 2019 Budget Request proposes a total of \$19.6 billion for the National Aeronautics and Space Administration (NASA), \$238.9 million above the FY 2017 funding level.

The Budget Request supports the Trump Administration's new space exploration policy by refocusing existing NASA activities toward exploration, redirecting funding to innovative new programs that support the new policy, and providing additional funding to support new public-private initiatives.

Funding Highlights

- Provides \$10 billion to support human space exploration and to pursue a campaign that would establish US preeminence to, around, and on the moon.
- Fully funds the Space Launch System (SLS) rocket and Orion crew capsule as key elements of the human space exploration program. The Budget Request provides \$3.7 billion for SLS and Orion, which would keep the programs on track for a test launch by 2020 and a first crewed launch around the moon by 2023.
- Provides \$2.2 billion to Planetary Science and maintains support for competed science missions and the next Mars Rover, which would launch in 2020.
- Provides \$1.8 billion for an Earth Science portfolio that supports the priorities of the science and applications communities.
- Proposes to end direct US government funding for the International Space Station by 2025 and provides \$150 million to begin a program that would encourage commercial development of capabilities that NASA can use in its place.

- Refocuses and consolidates NASA's space technology development programs to support space exploration activities.
- Continues strong programs in science and aeronautics, including a \$150 million planetary defense program to help protect the Earth from hazardous asteroids, and \$50 million to explore possibilities for retrieving pieces of Mars for scientific study on Earth.
- Fully funds the Low-Boom Flight Demonstrator, an experimental supersonic airplane that would make its first flight in 2021.
- Supports the termination of the \$100 million Office of Education, redirecting those funds to NASA's core mission of exploration.

Proposed Program Eliminations

- Office of Education
- Plankton, Aerosol, Cloud, Ocean Ecosystems (PACE)
- Radiation Budget Instrument (RBI)
- Orbiting Carbon Observatory (OCO-3)
- Deep Space Climate Observatory (DSCOVR)
- Climate Absolute Radiance and Refractivity Observatory (CLARREO) Pathfinder

NATIONAL SCIENCE FOUNDATION

The President's FY 2019 Budget Request seeks \$7.47 billion for the National Science Foundation (NSF), which is the same as the FY 2017 enacted level. The Budget Request proposes \$6.15 billion for Research and Related Activities, an increase from the FY 2017 enacted level of \$6 billion. It also indicates that NSF is focused on two priorities – The Future of Work at the Human-Technology Frontier and Harnessing the Data Revolution.

The Budget Request proposes a reduction in funding for Major Research Equipment and Facilities Construction from \$215 million to \$95 million, which is largely due to the support for two new Regional Class Research Vessels.

Federal Communications Commission

Funding

The President's FY 2019 Budget Request proposes \$333 million for the Federal Communications Commission (FCC), a \$6 million decrease from FY 2017 enacted levels. The Budget Request proposes \$11 million for the Office of the Inspector General and \$113 million for FCC's Spectrum Auctions Program. The Budget Request proposes making additional spectrum available for commercial use and assigning additional spectrum frequencies for wireless broadband subject to use sharing arrangements with federal weather satellites.

In the FY 2019 Budget Request, the Administration proposes providing FCC with new authority to set user fees on unauctioned commercial spectrum licenses as a spectrum management tool. The fees would be determined and implemented as part of ongoing rulemaking processes, beginning in 2019, and are expected to total \$4 billion through 2028.

FCC also notes that the agency intends to complete the Wireline Modernization of the National Broadband Map (NBM) focused on fixed broadband in the second quarter of FY 2018.

Policy Highlights

FCC identifies the following as its strategic goals for FY 2019:

- Closing the Digital Divide
- Promoting Innovation
- Protecting Consumers and Public Safety
- Reforming the FCC's Processes to Reduce Regulatory Burden and Enhance Transparency

To achieve these goals, FCC commits to accomplishing the following in FY 2019:

- Expand broadband deployment across the US by creating a light-touch regulatory environment that maximizes private broadband investment
- Promote broadband deployment by implementing recommendations issued by the Broadband Deployment Advisory Committee (BDAC)
- Accelerate the deployment of 5G networks and services by making it easier and less expensive to access to utility-owned or government-controlled broadband infrastructure (including poles, ducts, conduits, and rights-of-way)
- Take steps to process applications for and potentially authorize support through the Connect America Fund (CAF) Phase II auction
- Consider stakeholder feedback regarding opportunities to streamline or eliminate infrastructure siting requirements
- Work with state and local governments to better align regulations and fees on new wireless infrastructure with the what the FCC considers the costs of protecting local interests in land management and public safety
- Encourage facilities-based competition and free up spectrum for mobile broadband by implementing efficient and effective spectrum allocation and assignment policies
- Work to streamline compliance or eliminate certain National Environmental Policy Act (NEPA) and National Historic Preservation Act (NHPA) requirements governing wireless infrastructure deployments
- Develop and implement policies designed to promote reliable, effective, and resilient 911, Enhanced 911 (E911), and Next Generation 911 (NG911) service

USTR AND OTHER TRADE-RELATED AGENCIES

Funding

The President's FY 2019 Budget Request seeks \$63 million for the Office of the U.S. Trade Representative (USTR), a \$1 million increase over FY 2017 enacted levels. It also proposes \$90.6 million in funding (a 2.4% increase) for the International Trade Administration's Enforcement and Compliance program at the Department of Commerce, which is responsible for addressing unfair foreign trade practices and trade barriers.

The President's FY 2018 Budget Request proposed eliminating the Overseas Private Investment Corporation (OPIC). The FY 2019 Request proposes consolidating the operations of OPIC and the U.S. Agency for International Development's Development Credit Authority to create a new stand-alone development finance institution that would be allotted \$96 million for administrative expenses.

Proposed Program Eliminations

- U.S. Trade and Development Agency
- The Denali Commission
- The Delta Regional Authority
- The Northern Border Regional Commission

Base Realignment and Closures (BRAC)

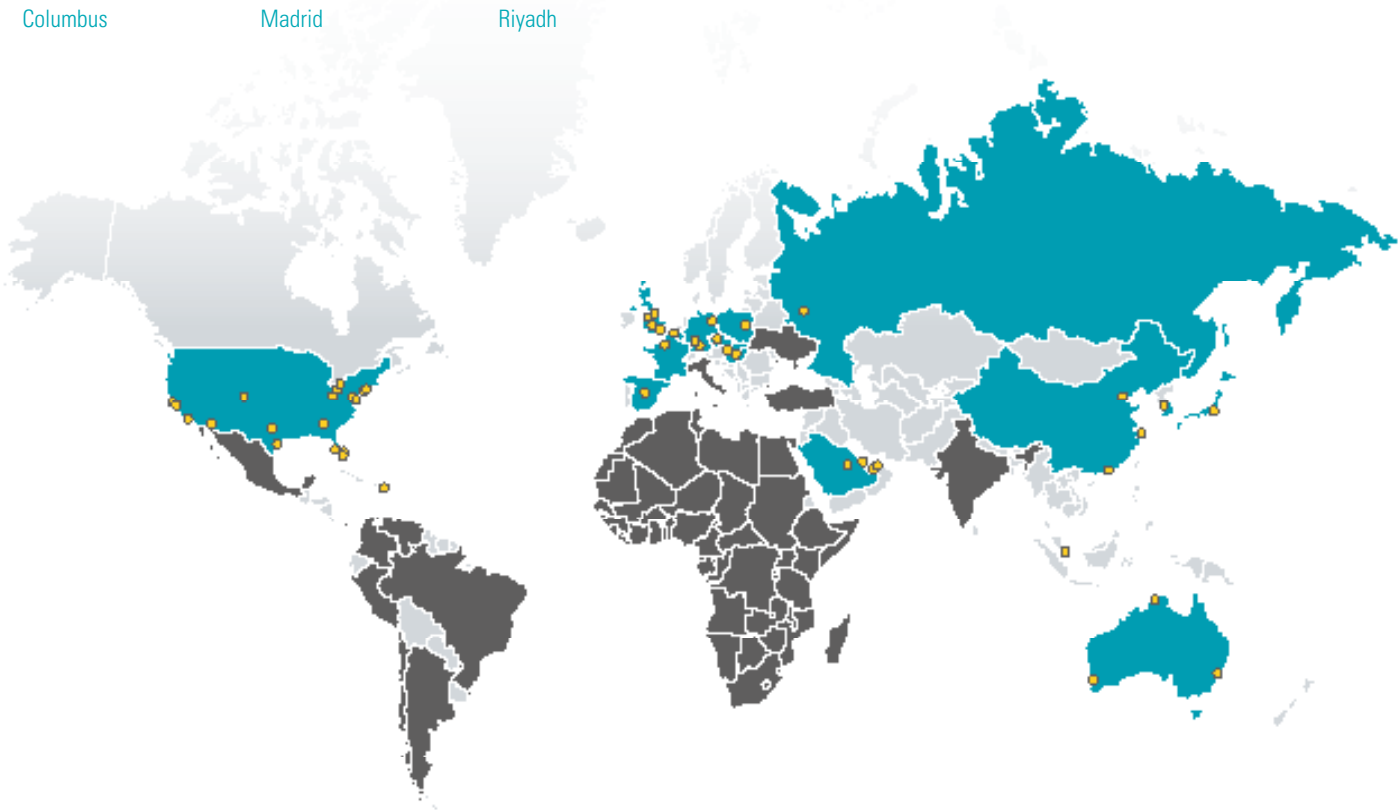
Policy Highlights

The President's FY 2019 Budget Request does not request authority for a new round of base closures. David Norquist, Defense Department Comptroller, explained that the Administration will instead work with Congress "to find common areas where we can make reforms and changes that don't create the same types of obstacles." Norquist highlighted the Pentagon's ongoing audit of military property and ways to better collect data on excess infrastructure, suggesting a BRAC request may follow that exercise.

We Are Where You Are

47 Offices in 20 Countries

Abu Dhabi	Dallas	Manchester	San Francisco	Africa	Italy
Atlanta	Darwin	Miami	Santo Domingo	Argentina	Mexico
Beijing	Denver	Moscow	Seoul	Brazil	Panamá
Berlin	Doha	Newark	Shanghai	Chile	Peru
Birmingham	Dubai	New York	Singapore	Colombia	Turkey
Böblingen	Frankfurt	Northern Virginia	Sydney	Cuba	Ukraine
Bratislava	Hong Kong	Palo Alto	Tampa	India	Venezuela
Brussels	Houston	Paris	Tokyo	Israel	
Budapest	Leeds	Perth	Warsaw		
Cincinnati	London	Phoenix	Washington DC		
Cleveland	Los Angeles	Prague	West Palm Beach		
Columbus	Madrid	Riyadh			



- Office locations
- Regional desks and strategic alliances

LOCAL CONNECTIONS GLOBAL INFLUENCE