

# Holland & Knight

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## Memorandum

Date: March 19, 2017

To: City of Seattle

From: Holland & Knight

Re: President Trump's Budget Blueprint

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Last week, President Trump submitted his FY 18 “skinny budget,” proposing a \$54 billion increase for the defense budget, offset by steep cuts in nearly every domestic department as well as the State Department. There are major proposed cuts and eliminations in programs directly impacting cities and counties, including those in transportation, water resources and the environment as well as housing and community development. Details on each of the cuts are forthcoming and are expected to be provided by the Administration sometime in early May. In addition, the President has also submitted this week an FY 17 supplemental appropriations request to begin to extend the southern border wall. Those funds are in addition to what he proposed for the border in the FY 18 Department of Homeland Security budget outline as described below.

In Congress, the reaction has been swift and critical. “The administration proposes, Congress disposes,” said several Senators in different statements. Congressman Mario Diaz-Balart (R-FL), Chairman of the Transportation, Housing and Urban Development (“THUD”) Subcommittee, and a senior member of the House Budget and Appropriations Committees stated in response to the President’s budget request “I look forward to Congress exercising its oversight role and ultimately making funding decisions.”

While certain cuts may find favor among House or Senate members, it is clear that in order for the Administration’s budget to gain any traction, it will need to have a 60-vote majority in the Senate to withstand a filibuster among Senators opposed to the proposed cuts or eliminations. Even in the House where the rules only require a simple majority to move the budget, appropriators face the difficult task of finding a way to balance defense and non-defense discretionary spending for FY 18. Clearly, we are in for a long summer of contentious debate.

As details begin to surface, we will keep the City fully apprised of its impact on the City’s top project priorities and policy concerns; and develop the strategies to counter any reductions or adverse policy changes the could impact those priorities.

Below are summary highlights:

## **Department of Homeland Security**

The President's Budget requests \$44.1 billion in FY 2018 for the Department of Homeland Security (DHS) which represents a 6.8 percent increase or \$2.8 billion over current level. The significant increase for DHS represents the Administration's position on immigration enforcement and border security. Specifically the request calls for:

- \$2.6 billion in high-priority tactical infrastructure and border security technology, including resources to build wall along our border with Mexico
- \$314 million for an additional 500 CBP officers and 1000 ICE law enforcement personnel
- \$1.5 billion increase over current levels for expanded detention and removal of illegal immigrants
- \$15 million to implement mandatory use of E-Verify nationwide to "determine eligibility of new employees to work in the United States."

Of particular interest to state and local governments, is the request to reduce or eliminate FEMA grant programs by \$667 million. While the outline is light in details of exactly which programs face a reduction, it states those programs affected are "either unauthorized by Congress, such as FEMA's Pre-Disaster Mitigation Grant Program, or that must provide measurable results and ensure that the Federal Government is not supplanting other stakeholder's responsibilities, such as the Homeland Security Grant Program." The Pre-Disaster Mitigation Grant Program is currently funded at \$55 million. Other programs possibly affected are the Transit Security Grant Program and Port Security Grant Program but it will remain unclear until the full budget request is out. It should also be noted that the budget will propose establishing a 25 percent non-Federal match for FEMA preparedness grant awards that currently require no cost match at this time. This will affect localities that receive UASI funding, for example.

Additionally, the budget proposes to raise the TSA Passenger Security Fee to recover 75% of the cost of TSA aviation security operations and will eliminate the National Flood Insurance Program (NFIP)'s Flood Hazard Mapping Program to instead "explore other more effective and fair means of funding flood mapping efforts."

## **Department of Justice**

The President's Budget requests \$27.7 billion in FY 2018 for the Department of Justice which represents a 3.8 percent decrease from current funding levels. While this is a decrease, it is not at the stark levels as other departments. But much like the DHS budget proposal, it focuses on funding for increased law enforcement as it pertains to preventing illegal immigration, calling for increased funding for immigration judges, U.S. Attorneys and expanded detention capacity. Specifically:

- FBI:
  - \$249 million increase from the 2017 level to strengthen counterterrorism and counterintelligence activities. Including:
  - investment of \$61 million into fighting terrorism and cyber threats.

- \$35 million increase for sharing and gathering intelligence data in conjunction with the Department of Defense
- \$9 million increase to provide accurate and timely response for firearms purchase background checks.
- \$175 million increase to support law enforcement targeting criminal organizations and drug traffickers (opioid epidemic)
- Immigration-Related:
  - \$80 million increase to hire 75 additional immigration judge teams to efficiently adjudicate removal proceedings
  - Increased funding to hire an additional 60 border enforcement prosecutors and 40 deputy U.S. Marshals for apprehension and prosecution of criminal aliens
  - Supports the addition of 20 attorneys to pursue Federal efforts to obtain the land and holdings necessary to secure the Southwest border
  - \$171 million increase for additional short-term detention space for federal detainees
  - Eliminates \$210 million for the State Criminal Alien Assistance Program
- Cuts nearly \$1 billion of federal funding for prison construction.
- Local Law Enforcement Related:
  - Protects/Safeguards Federal grants to State, local and tribal law enforcement & victims of crime. Strong focus on those grants aimed at protecting life and safety of law enforcement personnel, including Bulletproof Vest Partnership, Preventing Violence Against Law Enforcement Officer. No specific mention of COPS Hiring grants, but the overall sense is that that funding remains protected for the office.

### **Environmental Protection Agency (EPA)**

- Cuts EPA budget by \$2.6 billion (31 percent) from current funding level (2017 annualized CR level).
- Cuts EPA staff by 3,200, and the overall agency budget by \$2.6 billion (31 percent) from current funding level.
- Includes \$2.3 billion for the State Revolving Funds (SRF), a \$4 million increase over the current funding level.
- \$20 million for the Water Infrastructure Finance and Innovation Act (WIFIA) program, equal to FY 2017 CR levels.
- Discontinues funding for the Clean Power Plan; international climate change programs and climate change research and partnership programs; Energy Star; and the Targeted Airshed Grants.
- Reduces Categorical Grants (states receive funds to implement water, air, waste, pesticides, and toxic substances programs) to \$597 million, a decrease of \$482 million in funding.

### **Department of Transportation (DOT)**

- Requests \$16.2 billion for DOT, a \$2.4 billion (13 percent) decrease from 2017 for discretionary programs (programs NOT funded by the Highway Trust Fund).

- Shifts the air traffic control function from the Federal Aviation Administration (FAA) to a private organization (House Transportation and Infrastructure Committee Chairman Shuster's proposal in his House FAA reauthorization bill introduced last year).
- Restructures and reduces subsidies for Amtrak to focus resources on other parts of passenger rail. Terminates federal funds for Amtrak's long distance services to allow Amtrak to focus on state-supported and Northeast corridor train services.
- Limits funding for the Capital Investment Grants/New Starts program to only projects with existing Full Funding Grant Agreements (FFGAs). "Future investments in new transit projects would be funded by the localities that use and benefit from these localized projects."
- Eliminates \$500 million in funding for TIGER grants.
  - The TIGER program is very popular among both Republican and Democrats. Recently, the Senate Transportation/HUD Appropriations Subcommittee Chairwoman Susan Collins recently praised the program during an transportation appropriations subcommittee hearing.

### **Army Corps of Engineers**

- The budget document only has one line relating to the water resources program of the Corps of Engineers, stating that total funding will be cut from current funding level of \$6 billion to \$5 billion in 2018.
  - Historically, Presidents of both parties have decreased Army Corps funding levels in the budget requests but Congress provides increases in the annual appropriations bills

### **Department of Interior (DOI)**

- Requests \$11.6 billion for DOI, a \$1.5 billion or 12 percent decrease from current funding level.
- Reduces land acquisition funding by more than \$120 million from current funding levels.
- "Budgets responsibly for wildland fire suppression expenses. The Budget would directly provide the full 10-year rolling average of suppression expenditures."
- Includes "over \$1 billion in safe, reliable, and efficient management of water resources throughout the western United States".

### **Department of Housing and Urban Development (HUD)**

The President's Budget requests \$40.7 billion in discretionary funding for HUD, a \$6.2 billion or 13.2 percent decrease from the FY 2017 CR level. The largest proposed cut to HUD comes from the call to eliminate funding for the Community Development Block Grant program, which would provide \$3 billion in savings from the FY 2017 CR level. The budget proposal claims that CDBG funding is "not well-targeted to the poorest populations and has not demonstrated results." Other target HUD programs proposed to be eliminated are:

- The HOME Investment Partnerships Program, Choice Neighborhoods Grants, and the Self-help Homeownership Opportunity Program, totaling \$1.1 billion in savings.

- Section 4 Capacity Building for Community Development and Affordable Housing, totaling \$35 million in savings

Not included in the outline are the details regarding where an additional \$2 billion in HUD cuts would come from. At this time, 84 percent of HUD's budget is for rental assistance programs. While the Administration has said it would continue assistance to 4.5 million low-income households, it is unclear how they do so.

### **Department of Commerce**

The President's 2018 Budget requests \$7.8 billion for the Commerce Department, a \$1.5 billion or 16 percent decrease from the 2017 annualized CR level. The proposal calls for the elimination of several key programs under Commerce. They are:

- Elimination of the Economic Development Administration for a savings of \$221 million
- Elimination of the Minority Business Development Agency, referring to it as a duplicative program mirroring those efforts of the SBA
- Elimination of the Manufacturing Extension Partnership (MEP) program for a savings of \$124 million
- Zeros out NOAA grants and programs, including the Sea Grant

The Commerce Department budget blueprint does provide an additional \$100 million for the U.S. Census Bureau to continue preparations for the 2020 Decennial Census.

### **Department of Education**

The President's 2018 Budget provides \$59 billion in discretionary funding for the Department of Education, a \$9 billion or 13 percent reduction below the 2017 annualized CR level. Priorities include:

- Improving student achievement and access to opportunity in elementary, secondary, and postsecondary education
  - Provides \$1.4 billion for public-private school choice programs, including \$250 million for a new private school choice program.
  - \$168 million increase for Charter Schools
  - Maintains funding for IDEA programs
  - \$1 billion increase for Title I, dedicated to encouraging districts to adopt a system of student-based budgeting and open enrollment that enables Federal, State, and local funding to follow the student to the public school of his or her choice
- Eliminates the 21st Century Community Learning Centers program, which supports before-and after-school programs as well as summer programs, resulting in savings of \$1.2 billion from the 2017 annualized CR level.
- Streamlining and simplifying funding for college, while continuing to help make college education more affordable
  - Safeguards the Pell Grant program by level funding the discretionary appropriation while proposing a cancellation of \$3.9 billion from unobligated carryover funding, leaving the Pell program on sound footing for the next decade.

- Eliminates the Federal Supplemental Educational Opportunity Grant program
- Refocus its mission on supporting States and school districts in their efforts to provide high quality education to all our students

### **Department of Labor**

The President's 2018 Budget requests \$9.6 billion for the Labor Department, a \$2.5 billion or 21 percent decrease below the 2017 annualized CR level. The budget proposal decreases Federal support for job training and employment service formula grants, shifting more responsibility to state and local governments. It also calls for eliminating the Occupational Safety & Health Administration training grants calling them unproven, and closing poor-performing centers for Job Corps.

### **Department of Energy**

- Requests \$28.0 billion for DOE, a \$1.7 billion or 5.6 percent decrease from the FY 2017 CR level. The Budget would strengthen the Nation's nuclear capability by providing a \$1.4 billion increase above the FY 2017 CR level for the National Nuclear Security Administration, an 11 percent increase.
- Eliminates the Weatherization Assistance Program and the State Energy Program to reduce Federal intervention in State-level energy policy and implementation (\$2 billion savings).
- Eliminates the Advanced Research Projects Agency-Energy, the Title 17 Innovative Technology Loan Guarantee Program, and the Advanced Technology Vehicle Manufacturing Program "because the private sector is better positioned to finance disruptive energy research and development and to commercialize innovative technologies."

### **Elimination of Independent Agencies**

In total, the budget proposes to eliminate funding for these 19 independent agencies:

- African Development Foundation
- Appalachian Regional Commission
- Chemical Safety Board
- Corporation for National and Community Service
- Corporation for Public Broadcasting
- Delta Regional Authority
- Denali Commission
- Institute of Museum and Library Services
- Inter-American Foundation
- U.S. Trade and Development Agency
- Legal Services Corporation
- National Endowment for the Arts
- National Endowment for the Humanities
- Neighborhood Reinvestment Corporation
- Northern Border Regional Commission
- Overseas Private Investment Corporation

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- U.S. Institute of Peace
- U.S. Interagency Council on Homelessness