What’s Happening on the Hill?: A Federal Budget Update

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February 18, 2014
What is in the Murray-Ryan Bipartisan Budget Agreement?

• Bipartisan agreement reached on December 10, 2013
• Replaces $63 billion of the “sequestration” cuts slated for 2014 and 2015 with alternative savings measures.
• Continues sequestration cuts affecting certain entitlement programs (principally Medicare provider payments) in 2022 and 2023, instead of allowing them to expire at the end of 2021.
• Higher fees for airline passengers, increased premiums federal employee pensions, higher retirement contributions for federal civil service workers, and reduced cost-of-living increases for working-age military retirees.
What is in the Murray-Rayan Bipartisan Budget Agreement?

• For 2014, additional funding for non-defense discretionary (NDD) programs allowed Congress in the Omnibus Appropriations bill to discontinue a significant portion of the cuts imposed in 2013 and ease funding shortfalls in some priority areas.

• It divides sequestration relief evenly between defense and NDD programs.

• It offsets the cost of providing sequestration relief without imposing cuts in key programs that would harm vulnerable children and families, seniors, and people with disabilities.
Remember What Happened in 2013

• Failure of the “Supercommittee” to agree on at least $1.2 trillion in additional deficit reduction.

• When Congress failed to act, annual sequestration cuts required by the BCA took effect -- $109 billion each year through 2021, equally divided between defense and non-defense programs.

• This agreement shrinks the sequestration cuts by $45 billion in 2014 and $18 billion in 2015.

• Just as sequestration cuts are equally divided between defense and NDD programs, sequestration relief is also divided equally between defense and NDD programs.
What Does This Mean for 2014 & 2015?

• For FY 2014, the $22.4 billion in additional funding brought total NDD funding to $491.8 billion — an amount just slightly above the pre-sequestration funding level for 2013 (and before adjusting for inflation).

• For FY 2015, the agreement provides only $9.2 billion in additional NDD funding, leaving total NDD funding at $492.4 billion, or about even with the 2014 funding level (actually a reduction from the 2014 once inflation is taken into account).

• NDD funding in 2014 and 2015 would still be well below 2010 funding levels, even before adjusting for inflation (and farther below the 2010 level when inflation is taken into account).
A Few More Numbers ...

• Pre-sequestration NDD funding levels:
  – 2013 – $490 billion, less $21.4 billion sequester = $469.4 billion
  – 2014 -- $506 billion, less $36.6 billion sequester = $469.4 billion
  – 2015 -- $520 billion, less $36.9 billion sequester = $483.1 billion

• With Murray-Ryan Agreement, NDD added funding:
  – 2014 -- $22.4 billion
  – 2015 -- $9.2 billion

• NDD sequestration cuts after agreement:
  – 2014 -- $14.2 billion
  – 2015 -- $27.6 billion

• Discretionary funding levels under the agreement:
  – 2014 -- $520.5 billion for defense, $491.8 billion for NDD
  – 2015 -- $521.3 billion for defense, $492.4 billion for NDD
Bottom Line …

• While NDD funding in 2014 and 2015 is higher under the agreement, it remains inadequate.

• Under the agreement, NDD funding will remain well below the already austere funding caps set in the BCA in 2011 (before sequestration) and far below 2010 funding levels.
  – NDD funding in 2014 is still 14.9% BELOW 2010 funding levels adjusted for inflation, and 7.5% below the 2010 level without adjusting for inflation.
  – In 2015, NDD is even more constrained – under the agreement, it will remain nearly flat in nominal terms between 2014 and 2015 – falling almost 17% percent below 2010 levels, adjusting for inflation.
  – If no future agreement is reached to reduce the sequestration cuts in 2016, NDD funding that year would again be nearly frozen at the 2015 level and be 18% below the 2010 level in inflation-adjusted terms.
What Happens Next?

• President’s FY 2015 budget proposal expected on March 4.

• “Regular order” re-established for the FY 2015 appropriations process – getting past recurring “continuing resolutions” of recent years.

• Will there be separate Transportation-HUD and Labor-HHS Appropriations bills written and passed in the House & Senate?