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Budget and Appropriations Negotiations Will Likely Last Through September

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The House Appropriations Committee is quickly working its way through the 12 appropriations bills that will fund the government for the 2018 fiscal year. At this point, all 12 appropriations subcommittees have completed their work, and the House has passed a so-called "security minibus," approving as a single measure four of the 12 appropriations bills: the Department of Defense bill, the Military Construction-Veterans Affairs bill, the Energy-Water bill and the Legislative Branch bill. Originally, the House Appropriations Committee had considered bringing together all 12 bills and passing an omnibus measure. This approach would likely not have garnered any Democratic support and was later dropped. Having approved the minibus, the House Appropriations Committee will delay consideration of the other eight spending bills until after the August recess. The Senate Appropriations Committee is still in the process of marking up bills at the subcommittee level.

Of particular note in the House-passed appropriations minibus is the inclusion \$1.6 billion marked for construction of a wall along the southern border of the United States and Mexico. Inclusion of the funding will likely portend a clash with Senate Democrats. In May, congressional Republicans elected not to fund the President's request for \$3 billion to begin construction of the wall, fearing it would jeopardize needed cooperation from Senate Democrats. At least eight Democratic votes will be needed in the Senate for any funding bill to be enacted.

In the House, the budget process is continuing slowly. On July 20, the House Budget Committee approved their proposed FY18 budget outline on a party line vote of 22 to 14. The measure now moves to the House floor where disagreements between conservative and moderate Republican members over spending totals, policy priorities, sequestration relief and reform of entitlement programs remain. These challenges are amplified by ongoing uncertainty over the future of taxes adopted as part of the Affordable Care Act, which impairs the ability to set a budget as they do not know whether and to what extent tax or benefit changes will impact overall budget projections. Relatedly, the vehicle for the currently-under-consideration health care legislation is the FY17 budget reconciliation legislation, which allows for passage of the health care legislation with a simple majority in the Senate and expedited consideration in the House. House leadership has said they would like to utilize budget reconciliation again in FY18 to adopt an as of yet undetermined tax reform proposal. However, as soon as the House approves an FY18 package, it abrogates the FY17 package, meaning that some sort of final determination on the future of health care legislation must be made before the House moves to adopt an FY18 budget. House Speaker Paul Ryan (R-WI) has committed to bringing the budget resolution to the floor in September.

Takeaway: The FY18 budget process remains in flux. Appropriators in the House and Senate continue to move forward, but without an approved budget, appropriators may have to modify whatever agreements they reach to match an eventual budget framework. In May, Democrats and Republicans reached a deal to avert a government shutdown by leaving out deal-breakers, such as funding for a wall on the U.S.-Mexico border and the zeroing out funding for Planned Parenthood. Whether this can be achieved again this fall remains to be seen.