



NONPROFIT

## Budget Issues Move to Center Stage

09.25.17 | Linda J. Rosenthal, JD



While the Administration wants to make taxes the focus of its post-recess legislative agenda, those hopes may be dashed by the reality of immediate budget and debt ceiling deadlines. Congress left for its annual August recess without tackling significant fiscal issues that affect the running of the country and the well-being of millions of citizens. Tax “reform” is a GOP wish-list item; the fiscal issues are mandatory.

*[Update: In the first week of September, Congress made a deal to kick the fiscal can down the road, approving temporary extensions until December 8, 2017, of the debt ceiling and the FY 2018 budget. The underlying issues remain, of course.]*

### *Clean Debt-Ceiling Vote*

Historically, raising the federal debt limit was not a controversial matter; both sides cast the necessary votes without drama or extortion threats. In recent years, though, there’s been a nerve-racking battle over it right up to the eleventh hour.

Months ago, the federal government topped the statutory borrowing limit. The Department of the Treasury has been using “extraordinary measures” to continue funding. Members of Congress know that Friday, September 29, 2017, is the final day to raise the debt ceiling. Otherwise, the United States will officially default on its obligations – a step that has never happened before. One way or another, one side blinks.

Bipartisan talks over the summer have not resulted in any agreement on how to proceed, although the easiest solution is a “clean” bill without any “policy riders to sweeten the deal to entice yes votes.”



The White House in late August threatened a government shutdown if the debt-ceiling vote does not also contain funding for the border wall. But the enormous emergency funding needed for Hurricane Harvey relief will likely eclipse consideration of that project.

That same catastrophe may also hinder the nonprofit community's leverage in budget negotiations which – already – were on course to be painful. The unexpected GOP sweep of the White House as well as Congress resulted in announcements of draconian cuts to be sought in social services, the arts, education, science, and other philanthropic programs.

## *FY 2018 Spending*

The federal government's new fiscal year begins on October 1. Congress is way behind here as well. There are about one dozen appropriations bills needed to fund the United States government, including thousands of programs that contract with nonprofit organizations to provide needed services to the public all around the nation. Congress has not yet passed any of these.

The House of Representatives, for example, approved a bill that merged four of the spending measures related to national security, but it will fail in the Senate because of many controversial elements. The Senate has not taken up any appropriations bills at all, and its Appropriations Committee has approved only 6 of the 12 spending measures.

In September, there will be further attempts, but it is likely that this will fail, and lawmakers will resort to approving a short-term "continuing resolution" to maintain level funding for all programs until late in 2017.

## *Budget Resolution and Reconciliation*

Congress has not passed a budget resolution to inform the appropriations committees in each chamber how much they can spend in the new fiscal year. There are promises of action in September in committee as well as for full floor votes. The GOP wants, but may not get, a budget resolution with "reconciliation instructions" that will permit (eventual) tax legislation with a simple majority instead of the 60 votes that would require Democratic support.

The Budget Control Act of 2011 throws in an additional monkey-wrench. That measure mandated spending roughly equal amounts every year on the defense and non-defense parts of the federal discretionary budget. This year, the GOP announced what it wants for FY 2018: a jump of defense spending by \$70 million. This move would violate the 2011 Act that mandates across-the-board spending cuts in both defense and non-defense programs to meet pre-determined caps. This "sequestration" can be avoided only by a bipartisan deal to change the 2011 Budget Control Act.

## *Conclusion*

It's against this backdrop of inertia and gridlock that the battles by opponents of the GOP blueprint for dramatic reductions in federal spending will take place.

It's important to remember that federal slashing of domestic programs affects state funding and programs, too. On average, the states receive almost one-third of their revenue from the U.S. government. Also, many states have been, and remain, fiscally challenged. Three states – Connecticut, Pennsylvania, and Wisconsin – remain without budgets for the fiscal year that started on July 1. "With no state budget, nonprofit organizations that hold contracts with the state [e.g., to



provide disability services] have not received the money that they normally get to run their programs.”

Even in states that have up-to-date budgets, several have significant problems. In Louisiana, for instance, if temporary taxes expire, the state may face “a billion dollar shortfall.” In Montana, there have been announcements of “‘severe’ cuts” because of a \$75 million deficit. And in Illinois, which has suffered without a budget for two years, there is a “backlog of unpaid bills totaling \$15 billion, including to nonprofits for services” they already provided during that long dry spell.