Summary of Trump Administration FY18 Initial Budget Proposal

March 17, 2017

Overview

President Trump proposed an initial “skinny” budget to Congress on March 16. This is the start of a long process involving both Congress and the Administration to develop a final spending plan for FY18 (which begins on October 1, 2017). The president will submit a more detailed plan in May, and Congress will develop final, detailed spending bills for various departments and agencies over the summer and fall. It is important to note the President’s budget does not simply become law; it simply marks the beginning of a lengthy negotiation with Congress over whether and how to fund portions of the federal government. Any programs or activities eliminated, cut or increased in the President’s budget must survive the congressional budget and appropriations process.

As is typical of the process for the first year of a new president, this budget does not provide the level of detail usually associated with a president’s budget. However, it clearly indicates the direction the president wants to take the country. Overall, the budget proposes a significant increase in defense spending and reduction in other domestic spending, with the largest percentage cuts facing the Environmental Protection Agency, State Department and USAID, along with the Department of Agriculture.

President Trump’s FY18 “America First: A Budget Blueprint to Make America Great Again” includes some good news for electric cooperatives and some challenges for co-ops as the budget process proceeds. The proposal only addresses discretionary spending, most often associated with federal programs and offices subject to the annual congressional appropriations and budget process and not required by law as mandatory expenditures, such as Social Security or Medicare.

Following is a summary of key elements included in the Administration’s initial budget proposal.

Department of Agriculture

The Department of Agriculture’s budget proposes a 21 percent reduction for discretionary spending. The budget does not propose any changes for the RUS electric loan program or any specific language directing loans to any particular kind of infrastructure. However, it does propose to eliminate many programs administered by the Rural Business-Cooperative Service agency (a sister agency to RUS). While the budget does not specify, it would likely eliminate the Rural Economic Development Loan and Grant (REDLG) program used by many cooperatives.

Within RUS, the budget proposes to eliminate loans and grants for water and wastewater systems for rural areas. The rationale contained in the budget suggests that rural communities can get their financing needs for rural water infrastructure from EPA's state revolving fund programs, which were maintained in the budget request, or other private sources of financing.

Department of Energy

The Department of Energy proposed budget includes a 5.6 percent reduction from current spending levels. Much of the DoE's budget is focused on programs dealing with our nation's nuclear weapons (programs that do not see significant reductions), so the bulk of the reductions would come from energy research and development programs. There is no proposed reduction to the Power Marketing Administrations, nor any suggestion that the PMAs should change from cost-based rates to market-based rates.

The budget proposes to limit funding for several offices (energy efficiency and renewable energy; fossil energy; electricity delivery and reliability; and nuclear) to early-stage, applied energy research and development programs only leaving more advanced research to the private sector. The budget also proposes elimination of the Weatherization Assistance Program and funding for State Energy Programs. The budget specifically points out that it supports the Office of Electricity Delivery and Energy Reliability's efforts to carry out cybersecurity and grid resiliency activities.

NRECA partners with DoE on a number of R&D efforts to help advance technologies that will save money for our members or improve electric cooperative generation, transmission, and distribution systems.

Environmental Protection Agency

EPA's budget proposes a steep 31 percent reduction compared to the current fiscal year spending level. The budget proposes to discontinue all funding for the Clean Power Plan and anything related to climate change research. EPA's enforcement budget would be focused on those areas for which states do not have enforcement responsibilities. More than 50 specific EPA programs are slated for elimination, including Energy Star.

Federal Emergency Management Agency

The budget proposes to reduce state and local grant funding by more than $650 million for programs administered by FEMA (such as the Pre-Disaster Mitigation Grant Program). The budget also proposes establishing a 25 percent non-Federal cost share matching requirement for FEMA preparedness grant awards.

HHS / Low Income Home Energy Assistance Program

The budget proposes to eliminate the Low Income Home Energy Assistance Program (LIHEAP), which helps low-income households pay heating and cooling bills. Electric cooperatives have historically supported the LIHEAP program (93 percent of persistent poverty counties in the U.S. are served by electric cooperatives), and many have created their own “Operation Round-Up” programs to assist those in need to augment federal and state energy assistance programs.

Department of State / USAID

The budget proposes a reduction of 28 percent for the State Department and U.S. Agency for International Development (USAID) and calls for reductions for international organizations whose missions “do not substantially advance US foreign policy interests…” Reductions to funding for USAID could have an impact on NRECA’s International Program.