

Legislative Briefing

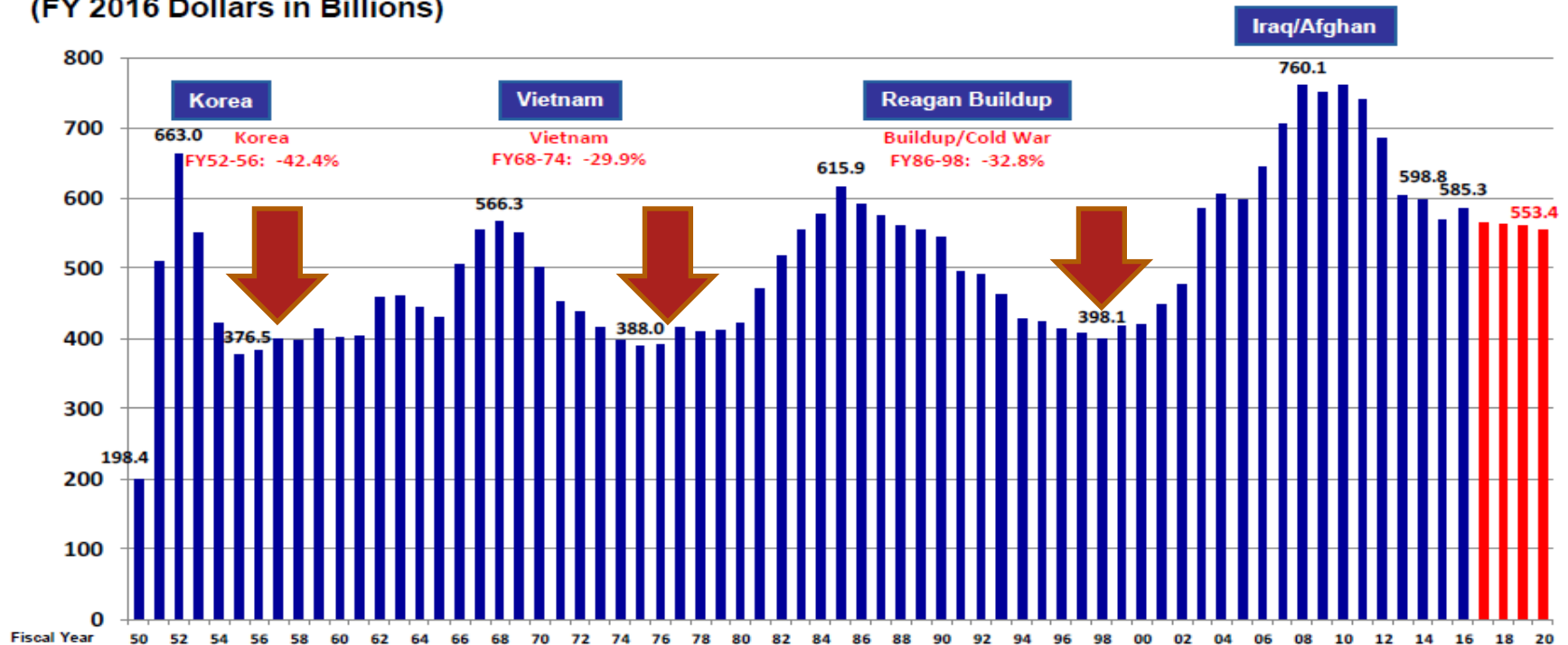
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Total Budget Trends

(Including supplemental and OCO funding)

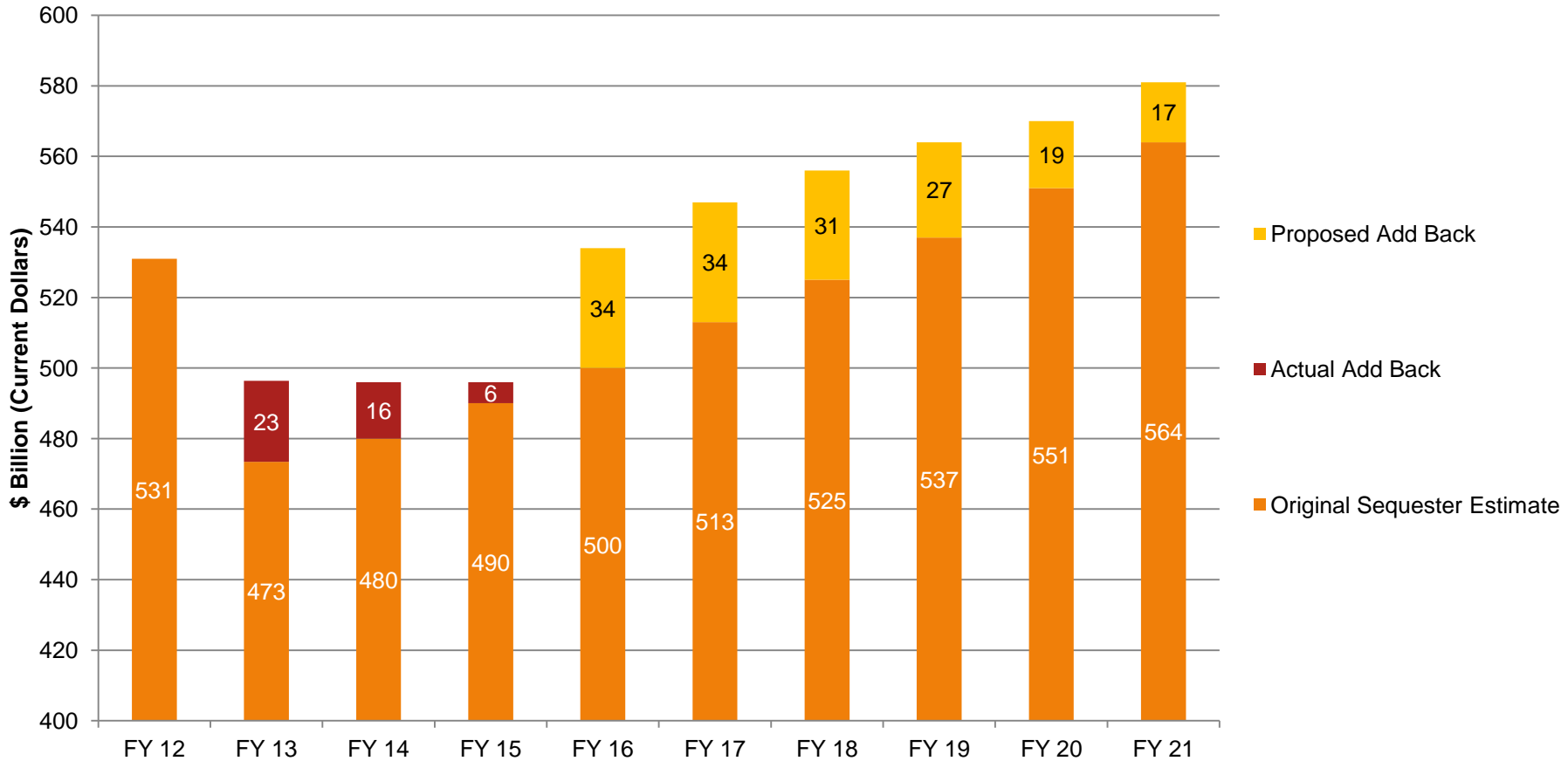
(FY 2016 Dollars in Billions)



Projections (red bars) assume FYDP plus \$26.7 billion annual placeholders for OCO in years beyond FY 2016

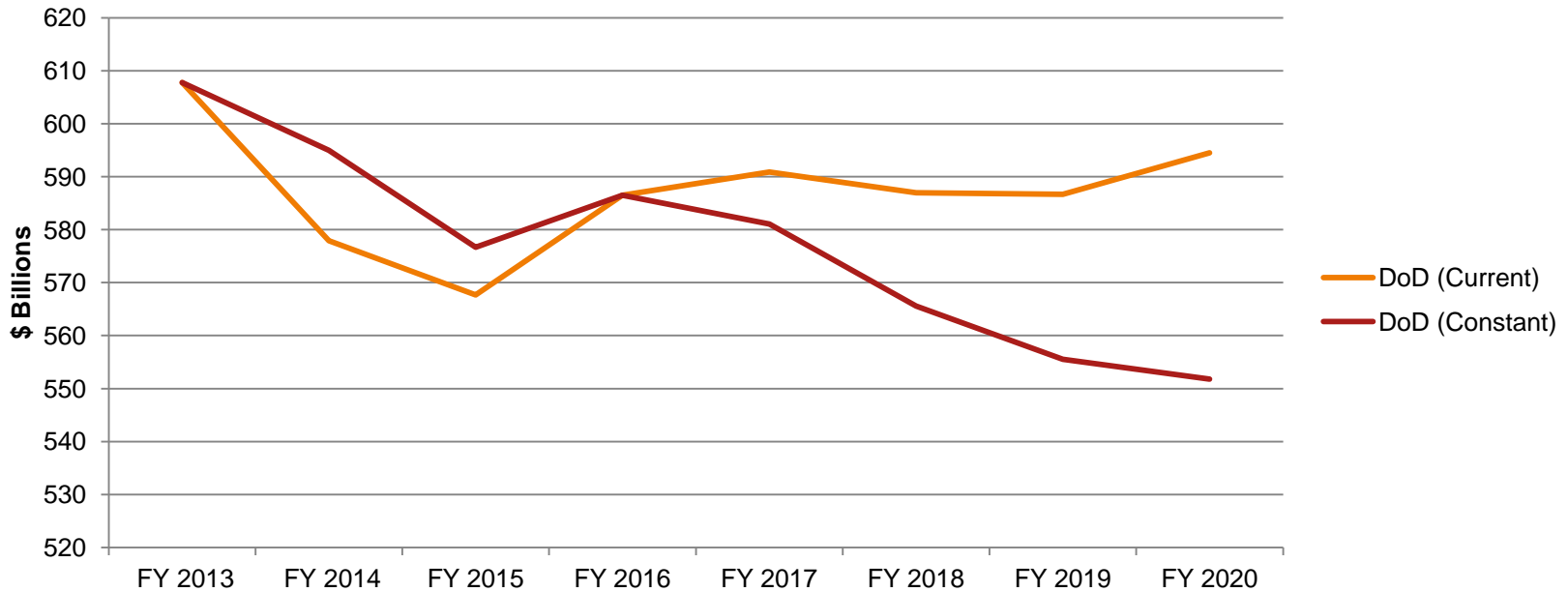
DoD's Actuals & Projected vs. Sequester

DoD Discretionary Base Budget Compared to Sequester



Defense Base + OCO Discretionary Outlays

Comparison of DoD Discretionary Outlays



- In both current and constant dollars, outlays are projected to increase in FY16 given the large increase in requested base budget funding.
- Outlays grow and remain constant through the FYDP in current dollars, but in real terms decrease each year. This could easily change since FY17 and beyond are based on an OCO level of \$26.7B in new authority each year.

DEFENSE SPENDING DISAGREEMENT ON OCO; BIG FIGHT ON CIVILIAN SPENDING LEVELS

Budget authority in billions

Category	FY 2016 caps	Congress	Request
Base defense	\$523.1	\$523.1	\$561.0
OCO		\$89.2	\$50.9
Total defense		\$612.3	\$611.9
Base nondefense	\$493.0	\$493.5	\$525.6
OCO		\$7.0	\$7.0
Total nondefense		\$500.5	\$532.7

Two fights:

- » **Defense:** What bucket do you put extra money in – base or OCO?
- » **Nondefense:** Extra money or not? Republican budget resolution would reduce spending caps starting in fiscal 2017

NDAA

- Both the House and Senate have passed their respective versions of the annual defense bill.
- Conference Report Timing?
- Sticking Points
 - Personnel Benefits
 - Tricare and Prescription Drug Costs
- Veto Threat?

Major Trends – Small Business

- Expand the HUBZone authority for BRAC (both)
- Expand HUBZone to qualified disaster areas (Senate)
- Codify and expand mentor-protégé program (both)
- Report on failures to meet CS(T)P (Senate)
- Bundled and consolidated contracts (House)
 - SBA certifies agency data on them; GAO checks SBA's work
 - Provide quick, advance notice of them when they are called for
- Add SBA Administrator to FAR Council (House)
- Consider past performance of small businesses teaming or joint venturing for a bundled or consolidated contract (House)
- Look at small business contracting goals to make sure they are not overly grouped in specific NAICS codes (House)
- Would create a scorecard system for grading agency small business contracting and subcontracting (House)
- Raises Simplified Acquisition Threshold from \$150K to \$500K (House)
- Prohibits the use of reverse auctions for small business set aside contracts (House)

Appropriations

APPROPRIATIONS COMMITTEES HAVE APPROVED ALL 12 BILLS; ONLY SIX HAVE ADVANCED FURTHER

Bill	Committee Approved		Floor Passage		Conference	Enacted
	House	Senate	House	Senate		
Agriculture-FDA	✓	✓				
Commerce-Justice-Science	✓	✓	✓			
Defense	✓	✓	✓	*		
Energy & Water	✓	✓	✓			
Financial Services	✓	✓				
Homeland Security	✓	✓				
Interior-Environment	✓	✓	*			
Labor-HHS-Education	✓	✓				
Legislative Branch	✓	✓	✓			
Military Construction -VA	✓	✓	✓			
State-Foreign Operations	✓	✓				
Transportation-HUD	✓	✓	✓			

CONTINUING RESOLUTION IS THE NEXT STEP IN THE FUNDING PROCESS – BUT WHEN AND WHAT?

Continuing resolution still coming together

- » Most funding would be extended at the fiscal 2015 rate
- » Anomalies or spending adjustments could be included
- » House Appropriations Chairman Hal Rogers said a clean CR is ready to go

As a must-pass bill, CR provides opportunity to attach policy riders

- » Block federal funding for Planned Parenthood
- » Stop funding to implement Iran deal
- » Block funding or implementation of Obamacare
- » 2016 presidential elections create incentives for lawmakers to take tough positions

WHITE HOUSE CR WISH LIST INCLUDES LESS OCO FUNDING, EX-IM EXTENSION, SEVERAL OTHERS

Requested “anomalies” that would extend expiring authorities, adjust funding

- » Allow transfer of \$450 million to pay for wildfire suppression
- » Permit NASA to continue Commercial Crew activities and Shuttle Program closeout
- » Increase Small Business Administration lending cap
- » Transfer as much as \$625 million to cover additional costs for construction of Veterans Affairs Denver Replacement Medical Center
- » Extend EB-5 visa program and E-Verify program
- » Allow the D.C. government to expend its own funds in fiscal 2016

Republicans will probably ignore more-controversial requests

- » Opposition to Export-Import Bank is strong in the House, which has yet to consider reauthorization after June 30 expiration
- » Differing positions on OCO funding
- » Wildfire funding could also be complicated
 - White House prefers disaster cap adjustment, House prefers legislative solution passed in H.R. 2647

ISSUES CROWDING THE FALL AGENDA: TRANSPORTATION, TAXES, ENERGY

Highway authorization extension required for programs to continue

- » Senate passed a long-term reauthorization (H.R. 22) that included Ex-Im
- » House leaders are working on a six-year measure: may use international tax changes for funding

Temporary tax breaks, known as “extenders,” require action before tax season

- » House has passed several bills making a few provisions permanent
- » Senate Finance Committee approved S. 1946, renewing all 50 provisions

FAA patch will be needed while long-term reauthorization is crafted

- » Airport and Airway Trust Fund and airport improvement grants could expire
- » Essential Air Service subsidies program could be changed or eliminated
- » Air traffic control and privatization could advance

Energy bills could also be considered

- » Oil export ban (H.R. 702) slated for the House floor by the end of September
- » Senate proposed bipartisan omnibus bill, House panel still working on H.R. 8

DEBT CEILING WILL NEED TO BE ADDRESSED, COULD CREATE ANOTHER STANDOFF

Debt ceiling came back into effect on March 16; stands at \$18.1 trillion

Treasury using “extraordinary measures” to keep borrowing under the limit

Action will be needed in the fall according to CBO and Treasury

- » CBO predicted late November or December in its August update
- » Treasury Secretary Jacob J. Lew said sometime after October in a Sept. 10 letter

Ahead of the debate, there could be action on messaging bills

- » House Ways and Means Committee approved H.R. 692, which would allow payment of outstanding debt and Social Security benefits in event of default

Congressional Republicans may seek to pair spending cuts with debt increase

- » Standoff in 2011 led to the Budget Control Act

OTHER MEASURES THAT COULD BE RESOLVED OR SET UP CONFRONTATION WITH WHITE HOUSE

Several issues could be resolved in the fall

- » Customs and trade enforcement
 - Conference planned on H.R. 644; currency and other sticking points remain
- » Cybersecurity
 - Privacy concerns stalled Senate consideration of S. 754
 - House passed two measures: H.R. 1731 and H.R. 1560
- » Rewrite of Toxic Substances Control Act
 - House and Senate agree on need to revise chemical evaluation process
 - House passed bill, H.R. 2576 in June; Senate may consider S. 697 this month
- » Defense authorization
 - Conferees have yet to reach agreement on H.R. 1735

Partisan measures that could also get floor time

- » Efforts to repeal or curtail Obamacare
 - New CBO estimate says repealing individual mandate would save \$305 billion
 - Possible stand-alone measures on “Cadillac tax” and medical device tax
 - Reconciliation could be used to prevent filibuster in Senate
- » Continuing efforts to block funding for Planned Parenthood
- » Additional efforts to block implementation of the Iran agreement
- » Legislation to block EPA’s Clean Power Plan, financial regulations

Reagan National Defense Forum



- November 7, 2015
Simi Valley, CA
- As part of NDIA's sponsorship, NDIA has secured for its members a registration discount through the month of August to attend the forum.
- www.ndia.org/rndf



QUESTIONS?

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