



Date: November 18, 2015
To: Federal Legislative Committee
From: Patrick H. West, City Manager *T. MB*
Subject: **Federal Budget: Fiscal Years 2016 and 2017**

Introduction

The United States Congress passed the Bipartisan Budget Act of 2015 on October 30, 2015, and the President signed this bill into law on November 2, 2015. The budget agreement raises the federal debt limit and outlines a two-year framework to avoid a government shutdown or default on debt.

Background

The federal budget bill provides \$112 billion in new funding to prevent a return to spending caps known as sequestration for the next two years. Previously, lawmakers had agreed to a smaller budget deal that lifted spending caps above sequestration levels for fiscal years 2014 and 2015. Since October 1, 2015, which marks the beginning of fiscal year 2016, the federal government has been operating under a continuing resolution (CR) to prevent a government shutdown as Congress negotiated a new budget. While Congress must still adopt appropriations or spending bills for the next two years, the adopted budget will help guide the spending process and reduce the risk of a government shutdown.

Summary of the FY 16-17 Federal Budget

The agreement suspends the debt limit until March 15, 2017. In addition, the new budget increases spending caps by \$50 billion in fiscal year 2016 and \$30 billion in fiscal year 2017. The discretionary spending increases are spread evenly between military and domestic programs. As a part of the budget agreement, the Overseas Contingency Operations (OCO) will increase \$31 billion over two years; together the increases are a five percent increase over current levels. To minimize the impact on budget deficits, the new federal budget makes modest cuts in various programs and raises government fees and taxes highlighted by the following:

- Discretionary funding cut by \$14 billion in 2025
- \$3 billion subsidy reduction to farmers
- Authorizes oil sales from the Strategic Petroleum Reserve (SPR). The SPR is an emergency fuel storage of oil maintained by the United States Department of Energy. It is the largest emergency supply in the world with the capacity to hold up to 713.5 million barrels
- Diverts larger shares of payroll tax to the disability fund
- Higher premiums for the Pension Benefit Guaranty Corporation. The (PBGC) is a U.S. government agency that protects the retirement incomes of more than 41 million American workers in nearly 24,000 private-sector defined benefit pension plans.

Next Steps

Before the current CR expires on December 11, 2015, Congress will need to adopt appropriation bills to keep the federal government operating. Ideally, an omnibus appropriations bill will be passed to allocate funding to specific programs and agencies within the framework of the budget deal. When these funding details are adopted, a follow up memorandum will be provided with the information.

If you have questions or comments, please contact Diana Tang, Manager of Government Affairs at (562) 570-6506.

cc: Mayor and City Council Members
Charles Parkin, City Attorney
Laura Doud, City Auditor
Patrick H. West, City Manager
Tom Modica, Assistant City Manager
Arturo Sanchez, Deputy City Manager
All Department Directors
Jyl Marden, Assistant to the City Manager
Diana Tang, Manager of Government Affairs

M:\IGR\Federal\Federal Leg Comm\Memos 2016\MCC_FY16-17_FederalBudget_11-18-15.doc