

Memorandum

From: Rick Spees, Jane Sargent and Jose Villalobos

To: Board of County Commissioners

CC: Phillip Drujak

Date: March 4, 2023

Subject: February 2023 Monthly Report

Budget Update:

On March 9, the Administration is scheduled to release its budget for Fiscal Year 2024. That will start the budget/appropriations process. The current Fiscal Year, FY 2023, started on October 1, 2022. Fiscal Year 2024 starts on October 1, 2023. Before that date, Congress is supposed to pass the twelve appropriations bills that make up the federal budget. If Congress does not pass the bills before the start of the fiscal year, it must pass what is called a Continuing Resolution (CR). A CR keeps the government running at last year's level for a set period of time. During the time the CR runs, the Congress should complete action on the budget bills. Congress has failed to pass the appropriations bills on time for over two decades, and each time it has relied on CRs to carry the government for a few weeks to several months. And then Congress has bundled the appropriations bills together to create massive comprehensive budget bills. For example, last year all twelve bills were combined and the final bill totaled over \$1.7 trillion. No one thinks that process has been successful and each year Congressional leaders say that they will work to improve the process. And each year, they fail to achieve that goal.

This year has been no exception. One of the reasons the Kevin McCarthy had such difficulty securing the votes to become Speaker was that several conservative members wanted assurances that the appropriations process will be more open and accommodating. McCarthy made promises that there would be no end-of-the-year massive budget bills. He also promised that all twelve of the bills would go to the House floor for an open debate on amendments. Finally he

promised that there would be substantial reductions in the spending levels in the bills. These promises made it possible for him to get the votes to become Speaker. But while these promises satisfied the conservatives, it made it much harder for the bills to get through Congress and be signed into law by the President. Any government funding bill that pleases the very conservative Republicans in the House will never get through the Democratic led Senate or past the Biden White House. We are heading for another year of budget fights, stalemates and delays.

After years working on Congressional staff and then following it in the private sector, we can usually predict how things will turn out in the end. That is not the case this year. The hurdles seem unbridgeable. This will be a bit wonky, but let us explain our thoughts. The House is controlled by the Republicans, but by a very narrow margin – 222-213. A loss of five Republican votes will defeat a bill. Within the Republican caucus, there are over 20 members that have never voted for a spending bill, as they always think the spending levels – whatever they are – are too high. The House leadership will try to write bills that make significant cuts in federal programs in an attempt to appeal to those members. But the Democrats will never support bills with major cuts. If all the Democrats oppose the bills and if even five Republicans vote against the bills, as they always have, the bills will fail. An obvious solution would be to reach out to some Democrats to support the bills. But to get their support, the bills would have to spend more. This will cause more Republicans to vote against them. Also, if the Speaker tries to do a deal with the Democrats the conservative Republicans will try to topple him from the Speakership. It is a very tough situation.

Having said that, Congress always finds a way to pass the budget. It often takes time and the members put themselves through unnecessary pain, but they do get it done. Neither party can allow the government to be shutdown. So we can't predict how they will manage the situation this year, but we can predict that there will be some solution. We will be watching to see how they do it, just like everyone else.

In the meantime we will continue to press for the County's funding priorities. When the bills are completed we want to make sure all our clients' interests are protected.

FY 2024 Appropriations Process:

On February 28, the House Appropriations Committee finally released its guidance for the FY 2024 appropriations process. Two years ago, Democrats restored earmark requests, which had been banned for 10 years. When Republicans gained the House majority in the November elections, there were concerns they would reinstitute the earmark ban. However, a majority of the Republican conference voted to allow earmarks (known as "Community Project Funding") to continue.

With the ongoing conservative opposition to the earmarks, the House Republican leadership decided to implement stricter guidance for earmarks in the FY 2024 process. According to the new guidance, earmark spending will be capped at .5 percent of discretionary spending as

opposed to the 1 percent cap under Democrats. Additionally, earmarks will be banned in the Labor-HHS-Education, Financial Services (e.g. Small Business Administration) and Defense appropriations bills. To give an indication of how severe this is, the final Labor-HHS-Education bill included \$2.7 billion in earmarks in the FY 2023 omnibus. This includes funding for hospitals, health centers, universities, community colleges, schools, workforce development projects and other community health and education related projects. The new guidance also bans memorials, museums and commemoratives (projects names for an individual or entity) from receiving earmarks. House members will still be allowed to request 15 earmarks, but will have fewer accounts to choose from. Republicans did expand eligible earmark accounts in the Agriculture bill, but are limited to rural communities with populations of 20,000 or less. They also opened up port and rail infrastructure accounts for earmarks requests in the Transportation- HUD bill.

In meantime, the Senate did not change its earmark rules. They will continue to have a 1 percent cap on overall earmarks funds. Also, they did not limit the bills or accounts eligible for earmark requests. The Senate already allowed earmarking in more accounts than the House so the changes may make reaching agreement on bills – particularly the Labor-HHS-Education bill – particularly difficult.

The House Appropriations Committee has set the deadline for both programmatic and earmark requests for the last week of March depending on the subcommittee. The Miami Dade House delegation has set March 10th as their deadline for all appropriations requests this year. We are working with the County on a number of programmatic requests to submit to these offices related to public housing, community development, law enforcement, public health and community services.

In the Senate, the Senate Appropriations Committee has set its deadlines for member requests for the first two weeks of April. Florida's two Senators do not accept earmark requests, but do allow programmatic requests. We'll work with the County to submit their programmatic requests to Senators Rubio and Scott by their office deadline.

Activities for March:

The House will be out of session the week of March 12th. The President's FY 2024 budget proposal will be released on March 9th. This will kick off the annual budget/appropriations process. We will be working with the County to submit several of its FY 2024 programmatic requests to the Congressional delegation. As always, we will continue to monitor and report on legislative and executive branch developments of interest to the County.