

CLIENT ALERT

President Joe Biden Outlines 2023 White House Priorities in Budget Request to Congress

April 1, 2022

Just days following the enactment of the omnibus appropriations law for the remainder of the current fiscal year ending on September 30, President Biden released a \$5.7 trillion budget proposal for the 2023 fiscal year. The President is seeking from Congress \$1.64 trillion in funding for discretionary programs, a nine percent increase from current funding levels. Of that amount, the proposed budget seeks \$813 billion in defense spending and \$829 billion for non-defense programs. In contrast, almost two-thirds of the proposed budget – \$3.65 trillion – is earmarked for mandatory spending including Social Security, Medicare, and Medicaid. The White House projects the proposal would result in a \$1.3 trillion decline in the federal deficit due in large part to new proposed taxes, including a 15 percent minimum tax on corporate profits and a new minimum tax on households worth more than \$100 million.

President Biden and the White House have painted the budget proposal as a good faith effort to engage with Republicans across the aisle. But despite the deficit impact, Republicans have already raised objections to President Biden’s budget proposal. First, Republicans have called for parity between defense and non-defense spending, a perennially recurring theme. Prior to the release of the budget, Republicans on the House and Senate Armed Services Committees wrote to President Biden to request an increase in defense spending by five percent above inflation, compared to the baseline four percent increase included in the budget.

While President Biden secured about \$900 billion in funding for infrastructure over five years with passage of the Infrastructure Investment and Jobs Act in November 2021, the social infrastructure legislation known as the “Build Back Better” bill stalled in Congress due to opposition from Republicans and some members of the President’s own party. As part of the budget proposal, however, President Biden outlined components of a revived “Build Back Better” bill funded in part by raising tax rates on corporations and wealthy individuals and increasing the tax on capital gains. The inclusion of these revenue raising provisions could help shore up support from moderate Democrats like Senators Joe Manchin (D-WV) and Kyrsten Sinema (D-AZ), but are not likely to garner the support of Republicans. Since Democrats need 10 Republicans to pass spending bills in the evenly divided Senate, without utilizing the budget reconciliation process, negotiations over the FY23 spending bill will likely lead to significant changes that will level non-defense and defense spending and abandonment of some of the revenue-generating tax proposals.

The release of the President’s budget is just the first step in a prolonged budget and appropriations process. The President’s budget reflects White House priorities for the upcoming fiscal year and serves as a starting point for Congress as it drafts appropriations measures to keep the government funded. Congress kicked off its appropriations and budget processes for the 2023 fiscal year on Tuesday, March 29. The House Budget Committee hosted White House Budget Director Shalanda Young, who defended the President’s budget proposal and argued it will help the economy continue the strongest period of growth in nearly 40 years while paying down the deficit. House and Senate committees are expected to hold numerous hearings with individual department and agency heads in the coming weeks to consider the President’s request and will begin drafting and negotiating various components of the appropriations package following the April Congressional Recess.

Congress is supposed to advance spending measures ahead of the conclusion of the previous fiscal year, though in recent years it has become common practice for Congress to pass short-term funding measures to offer lawmakers more time to negotiate the broader package. In fact, Congress only recently finalized legislation to fund the government for the remainder of the 2022 fiscal year weeks ago. It is anticipated that given the upcoming midterm elections and a number of additional competing legislative priorities that Congress could once again rely on continuing resolutions to keep the government funded beyond the end of the current fiscal year on September 30.

The following summary provides highlights from each section of the President's budget proposal, but is not exhaustive. Please reach out to the Crowell Government Affairs Group for more detail in any given area at tshadyac@crowell.com.

Department of Agriculture: \$28.5 billion

The President's budget request includes \$4.9 billion for the Forest Service, including \$2.2 billion for the Wildfire Suppression Reserve Fund, seeking to further prevent and mitigate the impacts of U.S. wildfires. Additionally, the Biden proposal includes \$300 million in new grant funding for rural electric providers, seeking to incentivize electric providers to transition to clean or renewable energy sources. The proposal also includes \$1.8 billion in funding for climate-related projects and new climate programs, including \$25 million in funding for the creation of a new electric or biofuel vehicle fleet for the Department of Agriculture.

Department of Commerce: \$11.7 billion

The proposal aims to strengthen domestic supply chains through investments in the National Institute of Standards and Technology (NIST), previously authorized manufacturing programs, and Manufacturing Innovation Institutes. It would also provide funding to expand the Manufacturing USA network, revitalize coal communities through new funding for the Economic Development Administration, and expand U.S. economic engagement abroad through \$26 million in new funding for the expansion of the Foreign Commercial Service at the International Trade Administration (ITA). Additionally, the proposal provides \$6.9 billion in funding for the National Oceanic and Atmospheric Administration (NOAA), directing the administration to focus on responding to the impacts of climate change, and \$36 million in additional funding for the review of information and communications technology (ICT) transactions that pose cybersecurity risks to the U.S., among other priorities.

Department of Defense: \$773 billion

The budget proposal describes China as the Department's "pacing challenge," providing \$1.8 billion in funding to expand the U.S. military presence in the Indo-Pacific region to counter China. The proposal also provides additional funding for NATO and regional allies to counter Russia, seeking \$6.9 billion in funding for the European Deterrence Initiative, \$3.3 billion higher than the funding amount requested in FY 2022. A portion of Pentagon-directed funding is expected to be directed towards new investments in the U.S. nuclear triad, the construction of a new long-range stealth bomber class, new nuclear submarines, the development of hypersonic weapons, and upgrades to the U.S. Navy's public and private shipyards. Additionally, the proposal includes a 4.6 percent increase in Defense Department employee pay, and shrinks the number of Defense Department uniformed personnel to 1.328 million, a decrease of 4,000 from FY 2022 levels.

Department of Education: \$88.3 billion

The request drastically increases U.S. government investment in low-income and underserved schools, expanding Pell Grants for higher education, increasing funds for high-poverty schools and education for disabled students, and raising the amount given to Title I grants for schools by \$19 billion, an increase of over 50 percent from FY 2022 levels. Additionally, the budget includes a \$1 billion investment to increase the number of counselors, nurses, school psychologists, social workers, and other health professionals in schools to alleviate disruptions caused by COVID-19.

Department of Energy: \$48.2 billion

The proposal aims to support investments in the research, development, demonstration, and deployment of climate-focused energy projects, investing \$2.1 billion in clean energy workforce and infrastructure projects, including \$502 million to weatherize low-income homes, \$150 million for the electrification of tribal homes and the transition of tribal colleges and universities to renewable energy, and \$90 million for the creation of a new Grid Deployment Office that will aim to build a more robust and sustainable U.S. electrical grid.

Department of Health and Human Services: \$138 billion

The proposal includes \$28 billion in funding for the Centers for Disease Control and Prevention (CDC) to enhance public health infrastructure, domestic and global threat surveillance, public health workforce development, public health laboratory capacity, and global health security, and \$5 billion in funding for the Advanced Research Projects Agency for Health (ARPA-H), aiming to increase investment in U.S. government-funded research of cancer, diabetes, and other highly prevalent diseases. Additionally, the proposal includes \$12.1 billion for the National Institutes of Health (NIH) to increase research in vaccine development, therapeutics, and diagnostics for high priority public health threats such as COVID-19 and future pandemic threats. Notably, the request does not include line items for allowing Medicare to negotiate drug prices directly with drug manufacturers.

Department of Homeland Security: \$56.7 billion

The request would reduce funding for the Department by \$800 million, while also calling for 19.7 billion in disaster relief funding counted outside the base budget request. The budget increases funding for the Cybersecurity and Infrastructure Security Agency (CISA) by \$486 million to maintain cybersecurity capabilities implemented in the American Rescue Plan Act, and additional funding for the modernization of systems and networks within the Department of Homeland Security (DHS). In addition, the proposal provides \$3.5 billion for DHS's climate resilience programs, including \$507 million for the Federal Emergency Management Agency's (FEMA) flood hazard mapping program.

Department of Housing and Urban Development: \$71.9 billion

The request aims to greatly expand low-income housing programs, seeking \$32.1 billion for the Section 8 voucher program, up 17 percent from FY 2022 levels. Additionally, the request allocates \$900 million for HUD-assisted housing, and \$2 billion for HUD's HOME Investment Partnerships Program, an increase of 33 percent from FY 2022 levels. The proposal also includes \$3.6 billion in funding for Homeless Assistance Grants to meet renewal needs and expand grant assistance to 25,000 additional households not currently served under the program.

Department of the Interior: \$17.9 billion

The proposal aims to strengthen climate resilience for communities, investing \$5 billion in climate adaptation and resiliency programs, and aims to renew funding for key conservation and ecosystem management initiatives including the Civilian Climate Corps. The proposal also significantly increases investment in tribal communities, and invests \$375 million for projects seeking to deepen understanding of the impacts of climate change and for the creation of a Federal climate data portal that would provide public information on historical and projected climate impacts for businesses and individuals.

Department of Justice: \$37.7 billion

The proposal aims to bolster federal law enforcement capacity through an increase of \$1.7 billion in funding for DOJ law enforcement, support state and local law enforcement and violence prevention programs through \$3.2 billion in discretionary resources distributed via state and local grants, and support the First Step Act (FSA) implementation with key investments in the Bureau of Prisons' and Department of Labor's joint collaborative effort to provide comprehensive workforce development services to people in the federal prison system. The proposal also includes additional resources to address the threats of terrorism, providing \$33 million in funding for the FBI for domestic terrorism investigations.

Department of Labor: \$14.6 billion

The proposal places an emphasis on supporting workers' rights, including \$2.2 billion in funding for Department of Labor (DOL) worker protection agencies. The proposal also invests \$100 million in funding for projects that expand community college capacity to work with the public workforce development system, and \$75 million for a new National Youth Employment Program. The proposal also invests \$769 million above 2021 enacted levels in the Unemployment Insurance (UI) program, including multiple investments aimed at countering fraud and supporting more robust identity verification systems for UI applicants.

Department of Transportation: \$26.8 billion

The proposal includes \$68.9 billion for the Federal-aid highway program, a \$19.8 billion increase from the 2021 enacted level, including \$9.4 billion provided by the Bipartisan Infrastructure Law (BIL), and supporting \$8 billion in funding for new competitive grant programs to rebuild U.S. bridges, \$1.4 billion in funding for the deployment of a nationwide network of electric vehicle chargers and other alternative fuel infrastructure, and \$1.3 billion for the creation of a new carbon reduction grant program, among other priorities. Additionally, the proposal seeks \$2.5 billion for the National Highway Traffic Safety Administration (NHTSA), an \$857 million increase above 2021 enacted levels for the improvement of highway safety, and \$17.9 billion in funding for the Federal Railroad Administration, a \$15 billion increase over FY 2021 enacted levels. The proposal also makes investments in transportation projects aimed at reducing commute times and transportation bottlenecks, funding for the Federal Aviation Administration to improve aviation safety and infrastructure, and \$230 million in funding to support investments made in upgrading aging U.S. port and waterway infrastructure, among other items.

Department of the Treasury: \$16.2 billion

The proposal seeks \$14.1 billion for the Internal Revenue Service (IRS) to improve the taxpayer experience and reduce taxpayer backlogs, an increase of \$2.2 billion above 2021 enacted levels. The budget also provides \$331 million for the Community Development Financial Institutions (CDFI) fund, an increase of \$61 million over 2021 enacted levels, aiming to expand lending for underserved or disadvantaged communities. Additionally, the proposal includes \$210 billion for the Financial Crimes Enforcement Network to increase oversight of the financial sector, \$215 million for the expansion and development of U.S. agency cybersecurity systems, and \$293 million for Treasury's departmental offices to rebuild institutional capacity and strengthen the role Treasury policy offices play in the enactment of U.S. Treasury priorities.

Department of Veterans Affairs: \$135 billion

The proposal aims to increase and improve medical care for veterans, investing \$119 billion in the Department and fully funding inpatient, outpatient, mental health, and long-term care services, including by providing \$497 million to support the Administration's veteran suicide prevention initiatives. The proposal also provides \$663 million in funding for opioid use disorder prevention and treatment programs, \$13.9 billion in funding for Veterans Affairs mental healthcare programs, and \$51 million for Department initiatives aimed at increasing the scientific understanding of the potential adverse impacts for veterans of harmful environmental exposures during military service.

Environmental Protection Agency: \$11.9 billion

The proposal invests \$100 million in grants to states and Tribes that would support on-the-ground efforts such as methane emission reduction projects, and an additional \$13 million over 2021 enacted levels for wildfire prevention and readiness. The proposal also directs EPA to hire over 1,900 new agency staff and increase personnel pay, as well as to enact a broad suite of new programs created through the bipartisan infrastructure law. Additionally, the proposal invests nearly \$1.5 billion across programs for the implementation of President Biden's Justice40 commitment to ensure that at least 40 percent of the benefits of Federal investment in climate and clean energy reach underserved or disadvantaged communities.

Conclusion

The release of the President's \$5.7 trillion budget begins a process which will end when Congress passes appropriations bills funding all of the U.S. federal government departments for the next fiscal year, FY23. The current fiscal year will end on September 30, 2022 and FY23 will begin on October 1, 2022. The President seeks a \$1.64 trillion or nine percent increase for discretionary programs with \$813 billion in defense spending, a four percent increase, and \$829 billion in non-defense spending, a 14 percent increase. Yet \$3.65 trillion or two-thirds of the budget goes to mandatory programs like Medicare, Medicaid and Social Security. In the end, the President's budget signals his priorities which include increasing defense spending to some degree, including money for Ukraine, but not to the degree sought by Republicans, increasing domestic spending and raising taxes on corporations and households worth more than \$100 million. While this is a budget closer to the interests of Republicans than a more liberal Democrat would propose, there is no bipartisan agreement on it coming out of the gate. As a result, Congress will engage in months of long, drawn out and contentious appropriations hearings and negotiations before a comprehensive appropriations package to fund the federal government for FY23 emerges. It is highly likely that the new funding in the President's budget, much of which turns into federal grants, loans and contracts for the business community, will not

become reality until late in the year 2022 at best and that the U.S. government will once again be funded through continuing resolutions at existing levels from October 1, 2022 into at least December 2022.

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