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<u>The President's Budget</u>

President Trump's $4.8 trillion fiscal 2021 budget request released on Monday, February 10 would cut spending at all but five of the Cabinet-level departments and major agencies which we monitor, in keeping with the administration's efforts to limit the federal bureaucracy.

Similar to recent years, the Defense, Homeland Security and Veterans Affairs (VA) departments would see increases under the White House's proposal. Defense spending would rise from $633.3 billion this year to $636.4 billion, an increase of 0.5 percent. VA would see the largest increase of the major agencies, rising 13.3 percent from $92.7 billion enacted in fiscal 2020 to $105 billion proposed for next year.

The National Aeronautics and Space Administration (NASA) and the Treasury and Homeland Security departments would also experience growth under Trump's budget request, with NASA receiving a boost of 11.9 percent from $22.6 billion to $25.2 billion. Treasury would increase 1.5 percent from $15.5 billion to $15.7 billion, and Homeland Security would increase 3.4 percent, from $48.1 billion to $49.7 billion. The Department of Homeland Security (DHS) and Treasury figures were adjusted to account for the proposed transfer of the Secret Service back to the Treasury Department, the document stated.

The budget comes in below the cap to which Congress and the White House agreed over the summer for non-defense agencies. Many domestic agencies would see double-digit percentage cuts under the president's proposal.

The Commerce Department would experience the most drastic decrease, at 37.3 percent from $12.9 billion to $8.1 billion. This is primarily due to the end of the 2020 census count, the budget document noted. The Housing and Urban Development, Interior, Labor and Transportation departments and the Army Corps of Engineers, Environmental Protection Agency and Small Business Administration would all see cuts of more than 10 percent under the proposal.

The chart below shows the amounts the major agencies are slated to receive under the President's budget:

FY2021 DISCRETIONARY BUDGET AUTHORITY
(BILLIONS OF DOLLARS)

Departments	2020 Enacted[1]	2021 Request[1]	Percent Change
Agriculture [2]	$23.8	$21.8	-8.2%
Commerce [3]	$12.9	$8.1	-37.3%
Defense [3]	$633.3	$636.4	0.5%
Education	$72.2	$66.6	-7.8%
Energy	$38.5	$35.4	-8.1%
Health & Human Services [4]	$105.8	$96.4	-9%
Homeland Security [5]	$48.1	$49.7	3.4%
Housing & Urban Development (Excluding Receipts)	$56.5	$47.9	-15.2%
Interior	$14.7	$12.7	-13.4%
Justice	$32.4	$31.7	-2.3%
Labor	$12.4	$11	-10.7%
State and Other International Programs [2,6]	$47.7	$44.1	-7.7%
Transportation	$24.8	$21.6	-12.9%
Treasury [5]	$15.5	$15.7	1.5%
Veterans Affairs	$92.7	$105	13.3%

Major Agencies	2020 Enacted	2021 Request	Percent Change
Corps of Engineers	$7.7	$6	-22%
Environmental Protection Agency	$9.1	$6.7	-26.5%
NASA	$22.6	$25.2	11.9%
Small Business Administration	$0.8	$0.7	-11.1%
Social Security Administration[4]	$9.2	$9	-1.8%

[1]The 2019 actual and 2020 enacted levels include changes that occur after appropriations are enacted that are part of budget execution such as transfers, estimates, and the rebasing as mandatory any changes in mandatory programs (CHIMPs) enacted in appropriations bills. The 2019 and 2020 levels are adjusted to include OMB's scoring of CHIMPs enacted in 2019 and 2020 appropriations Acts for base programs for a better illustrative comparison with the 2021 request.
[2]Funding for Food for Peace Title II Grants is included in the State and Other International Programs total. Although the funds are appropriated to the Department of Agriculture, the funds are administered by the U.S. Agency for International Development (USAID).
[3]The large decrease in 2021 for the Department of Commerce is mostly attributable to the ramp down of the 2020 Decennial Census.
[4]Funding from the Hospital Insurance and Supplementary Medical Insurance trust funds for administrative expenses incurred by SSA that support the Medicare program are included in the HHS total and not in the SSA total.
[5]The funding totals for 2019 actual and 2020 enacted are comparatively adjusted to reflect the Administration's 2021 Budget proposal to shift the U.S. Secret Service from DHS to the Department of the Treasury.
[6]The State and International Programs total includes funding for the Department of State, USAID, Treasury International, and 12 international agencies.
[7]At the time the Budget was finalized, Public Law 116–113, the United States-Mexico-Canada (USMCA) Agreement Implementation Act had not been enacted. As a result, the Budget includes a Government-wide allowance to represent the discretionary appropriations included in this proposal.

Source: Office of Management and Budget

11 Major Agency Reforms in Trump's 2021 Budget

Some programs would be eliminated, or reorganized, others would grow.

President Trump proposed many significant reforms to federal agency programs and operations in his fiscal 2021 budget, offering a path to slash $4.4 trillion in spending over a 15-year period.

He identified more than 60 programs and agencies for elimination, which would result in $28 billion in savings next fiscal year. The administration would slash another $20 billion by reducing spending on existing initiatives.

Some agencies would fare well under Trump's blueprint, adding staff and seeing record windfalls. The White House suggested fewer staffing cuts than it has in previous years, though some agencies—such as the State Department and Environmental Protection Agency—would still see dramatic cuts.

The administration continued to push the reorganization plan it released in 2018, which Congress has largely rejected. Some agencies are still seeking authority to shift functions around, however, arguing it would help them focus on their core missions. Other initiatives may not need legislative authority at all.

Here is a look at 11 of the most significant agency reforms included in the budget.

1. **Adding Staff**: As he has in each of his budgets, Trump called for a hiring surge at DHS. Customs and Border Protection's request for 750 Border Patrol Agents, 600 customs and officers and 300 border processing coordinators fell roughly in line with previous asks, though that could prove difficult as Border Patrol netted just 112 new agents last year. DHS was much more aggressive in its request for Immigration and Customs and Enforcement, asking for more than 4,000 new agents and support staff. The agency requested funding for 2,000 agents in fiscal 2019 and just 1,000 in fiscal 2020, goals Congress has largely blocked it from meeting.

2. **Subtracting Staff**: The Internal Revenue Service (IRS) proposed slashing its rolls by more than 1,500 employees, despite requesting an overall budget increase of $528 million. The agency said it would fill critical vacancies only and reduce the number of support positions as it allocates funding for pay increases and other personnel costs. It said new funding would go toward boosting customer service and continuing to implement tax reforms Trump signed into law in 2017.

3. **Moving Staff:** Under Trump's budget, the Secret Service, now part of DHS, would be shifted back to the United States Department of the Treasury (USDT) where it was prior to the creation of DHS in 2003. The administration said the move reflects new challenges inherent in the agency's currency protection mission. “The budget proposes legislation to return the U.S. Secret Service to Treasury to create new efficiencies in the investigation of these crimes and prepare the nation to face the threats of tomorrow,” the White House said. In the process, the agency would add 119 new agents.

4. **A New Agency:** The administration proposed moving the tobacco portfolio currently within the Food and Drug Administration (FDA) to a separate entity within the Health and Human Services Department. The change would enable FDA to focus on its core mission of food and medical safety, the White House said. “A new agency with the singular mission on tobacco and its impact on public health would have greater capacity to respond strategically to the growing complexity of new tobacco products,” the White House said. Additionally, the alcohol and tobacco portions of the Alcohol, Tobacco, Firearms and Explosives Bureau, now part of the Justice Department, would find a new home at Treasury.

5. **Continuing Cuts:** The Defense Department vowed to slash 5 percent of its spending on all departmentwide offices and agencies, part of an ongoing effort to reduce its “Fourth Estate” costs. Defense, which has sought to reduce staffing across those agencies, said it saved $6 billion from its efforts in fiscal 2019 and would save $5 billion more in fiscal 2021.

6. **De-federalizing Disaster Preparation:** Trump called on state and local entities to fund their own training for disaster preparedness, suggesting the Federal Emergency Management Agency slash $535 million for continuous training grants.

7. **De-federalizing Electricity:** As he did in his government reorganization proposal, the president called on the Energy Department to sell off federal utilities such as the Southwestern Power Administration, Western Area Power Administration and Bonneville Power Administration. The administration previously said offloading all federal transmission entities would save $9.5 billion and enable “a more efficient allocation of economic resources.”

8. **No New Lands:** Trump called for the Interior Department to virtually eliminate all land acquisition projects, saying it could save $132 million to instead focus on improving visitor services and making repairs to existing parks and other sites.

9. **Criminal Justice:** The Justice Department requested more than $400 million to implement the First Step Act, landmark criminal justice reform Trump signed into law in 2018. Justice said the spending would focus on reducing recidivism, such as by enabling the Bureau of Prisons to fund 8,700 new slots at halfway houses and boosting job and life skills training.

10. **Record Increases:** The Veterans Affairs Department would see a 14 percent funding boost under Trump's proposal, bringing it to a record $105 billion budget. New funds would go to services such as an 82 percent increase in opioid prevent and treatment spending and a 32 percent boost to suicide prevention.

11. **Eliminations:** Among the programs and agencies slated to be zeroed out were *11 Education Department* programs the administration deemed wasteful, while it would consolidate *29 Education programs* into one block grant to "remove federal bureaucracy" from the process. The White House called for the end of the Public Service Student Loan Forgiveness Program. Interior would end loans and welfare programs designed to benefit Indian Country, deeming them duplicative. The Labor Department would close "low-performing" job corps centers and the Environmental Protection Agency would slash $600 million in spending on 50 programs it called wasteful and outside of its core mission. The Housing and Urban Development Department once again proposed cutting $4.8 billion by eliminating the Community Development Block Grant and the HOME Investment Partnerships Program.

Trump Proposes 1 Percent Pay Increase for Civilian Federal Workers in 2021

The President proposed a 1 percent pay raise for federal civilian employees in 2021, as part of the White House's fiscal 2021 budget request.

The raise would mark an upgrade over previous years in terms of the administration's initial submission to Congress. In each of the last two years, Trump pushed for a pay freeze before ultimately agreeing to a raise. Still, the proposed 2020 figure would represent a significant reduction from the average 1.9 percent and 3.1 percent increases that were enacted for 2019 and 2020, respectively.

In the fiscal 2021 budget, the White House said that the 1 percent raise would be complemented by an increased issuance of performance-based bonuses and other financial awards.

"The administration proposes a 1 percent pay increase for federal civilian employees for calendar year 2021, while also increasing funds available for on-the-spot and ratingsbased performance awards," the document stated. "The administration has attempted to make pay more flexible and performance-based, since across-the-board pay increases have long-term fixed costs and fail to address existing pay disparities or to target mission-critical recruitment and retention goals. A more targeted approach that rewards the top performers with the most critical skills is needed."

Military service members, on the other hand, would receive a 3 percent raise in 2021 under the White House's plan.

The Trump administration said that as part of the budget, agencies will have more money and flexibility to offer bonuses to high performers.

"In addition to lifting the cap on the amount of salary devoted to awards, the 2021 budget includes funding for agencies to spend an additional one percentage point of their salary budget on awards for their high performing employees and those with critical skillsets," the budget stated. "This increase in awards spending will allow agencies to effect an awards and recognition program that drives positive behavior; provides opportunities for employees to develop, grow, and enhance their careers; and recognizes accomplishments in a timely way."

Late Monday, February 10, Trump issued an alternative pay plan for 2021 limiting any federal employee pay increase to 1 percent and keeping locality pay at 2020 levels. The president is required to submit an alternative pay plan to Congress by the end of August every year, or else significant automatic pay increases will take effect under the Federal Employee Pay Comparability Act. Presidents typically issue alternative pay plans in late August.

The White House Proposes $97 Billion United States Postal Service (USPS) Savings Package, Including Pay and Service Cuts

The White House included in its fiscal 2021 budget proposal all of the recommendations made by a task force President Trump created in 2018 to put USPS on a better course, saying the reforms would save the mailing agency from an existential threat. Absent changes, the administration estimated the agency would lose $7 billion this year and $8 billion per year through 2030. As part of the reforms, the administration said, the Postal Service should offer employees lower pay that would put them more in line with other federal employees.

The plan also assumed the less generous retirement and health care benefits it proposed for the rest of the federal workforce would also apply to USPS employees. The Postal Service should have a more flexible rate-setting system, the administration said, enabling it to raise prices significantly on most packages and other services it considers "non-essential." It should also change its standards to enable less frequent mail delivery and allow the private sector to conduct some mail sorting. The White

House plan would give outside entities access to mailboxes and provide new revenue streams at post offices.

USPS would also be able to remove the payments toward health benefits for future retirees that it defaulted on from its balance sheet by re-amortizing those liabilities over a 40-year period. The House last week voted to eliminate that prefunding requirement entirely.

Absent from the budget blueprint was a plan to sell off the Postal Service to the private sector, which the administration previously pitched in its government reorganization strategy. Asked on Monday if the administration is still pushing that goal, Office of Management and Budget Deputy Director for Management Margaret Weichert said, "Our thinking has evolved over the last 18 months."

Many of the Trump administration task force's proposals were roundly rejected by stakeholders, lawmakers on both sides of the aisle and members of USPS leadership. The Postal Service has repeatedly called on Congress to alleviate some of its legislative burdens, but Congress has yet to take any action despite widespread agreement on many of the key tenants of what such a reform bill should look like.

The White House said its plan would stabilize the mailing agency and save nearly $100 billion over the next 11 years, though it estimated USPS would shed nearly 7,000 employees in fiscal 2021.

"This proposal will restore solvency to the Postal Service and ensure that commitments to current and former employees are funded from business revenues rather than taxpayers," the administration wrote.

White House Revives Controversial Retirement Cut Proposals

Nearly all of the proposed changes to retirement benefits for federal workers were part of the Trump administration's first three budget proposals, and each year Congress declined to include them in spending packages.

The President's fiscal 2021 budget would require employees enrolled in the Federal Employees Retirement System (FERS) to contribute 1 percent more per year to their retirement accounts, until the government and employees each contribute 50 percent. It also proposes eliminating annual cost of living adjustments for future FERS retirees and reducing cost-of-living adjustment (COLAs) for retirees in the Civil Service Retirement System (CERS) by 0.5 percent.

The budget also calls for the elimination of the FERS special retirement supplement, designed for employees who retire before they reach the age of 62, when they become eligible for Social Security. The supplement is primarily aimed at helping workers in federal law enforcement jobs that require them to retire at age 59. And when employees retire, their defined benefit annuity would be calculated as an average of their highest five salary years, rather than the current "High-3" model.

The budget request says that most of these changes are aimed at bringing federal compensation in line with the private sector, which has largely moved away from offering workers defined-benefit pensions.

"FERS and CSRS [COLAs] for annuitants are currently determined based on statutory formulas tied to the Consumer Price Index," the budget stated. "However, FERS annuitants are somewhat protected from economic effects, because their retirement packages include Social Security benefits and the Thrift Savings Plan . . . in addition to the FERS annuity. Eliminating the FERS COLA and reducing the CSRS COLA payments would reduce both FERS and CSRS annuity benefits, bringing compensation more in line with the private sector."

The White House also proposed reducing the statutorily mandated interest rate on the Thrift Savings Plan's G Fund, which is made up of government securities, to match the yield on either the three-month or four-week Treasury bill. That proposal has been decried by both federal employee groups and officials at the agency that administers the TSP.

"As we have in the past, we oppose a change to the G Fund interest rate, as it would make the G Fund inadequate and ineffective for Thrift Savings Plan (TSP) investors and would meaningfully impact the retirement savings of millions of Thrift Savings Plan participants," TSP spokeswoman Kim Weaver said on Monday.

Despite the budget's language citing the various changes as reductions in benefits for employees, Office of Management and Budget Deputy Director Margaret Weichert said the aim of the proposals is to realign compensation to be more performance-based. She noted that the budget also calls for allowing term employees to have access to the TSP, although not FERS.

"[The changes] are not reductions in benefits to anyone currently receiving retirement payments, but they do reflect leading practices in terms of contributions," Weichert said. "As it relates to other compensation issues, the core unifying factor is not a reduction in pay or benefits, but rather a realignment to more incentive-driven performance pools."

The budget also proposes a reduction in how much the government will contribute to insurance premiums in the Federal Employees Health Benefits Program. Currently, the government pays 72 percent of a weighted average of all plan premiums or 75 percent of a given plan's premiums, whichever is lower. The budget proposes reducing the government contribution to 71 percent of the weighted average.

Federal managers and labor groups blasted the revival of proposed benefits cuts Monday February 10.

“For an administration that has added $3 trillion to the federal debt, gouging federal employee pay and benefits in the name of deficit reduction is ridiculous,” said Tony Reardon, national president of the National Treasury Employees Union (NTEU). “NTEU will fight these regressive proposals on retirement while supporting existing legislation calling for a 3.5 percent pay increase in 2021.”

American Federation of Government Employees (AFGE) National Secretary Treasurer Everett Kelley said the proposals are “punitive and ridiculous.”

“The federal workforce vehemently opposes losing up to half of their retirement benefits and AFGE members will be fighting this proposal at every turn,” Kelley said. “The administration’s rhetoric about affordability is laughable; the federal retirement system is modest, fully funded, and is the only aspect of federal employee compensation that meets private sector comparability.”

Federal Managers Association President Renee Johnson said these proposals would significantly hurt the federal government’s ability to recruit and retain workers if implemented.

“Like last year’s proposed cuts, in addition to hurting current and even retired feds, these proposals would only increase the ongoing challenges of recruitment and retention,” Johnson said. “Only 6 percent of the federal workforce is under the age of 30. In comparison, that age group makes up nearly 25 percent of the private sector. Continual budget uncertainty and even more cutting of benefits will certainly make the task of attracting the best and the brightest that much more difficult.”

White House Budget Gives Election Agency More Funding

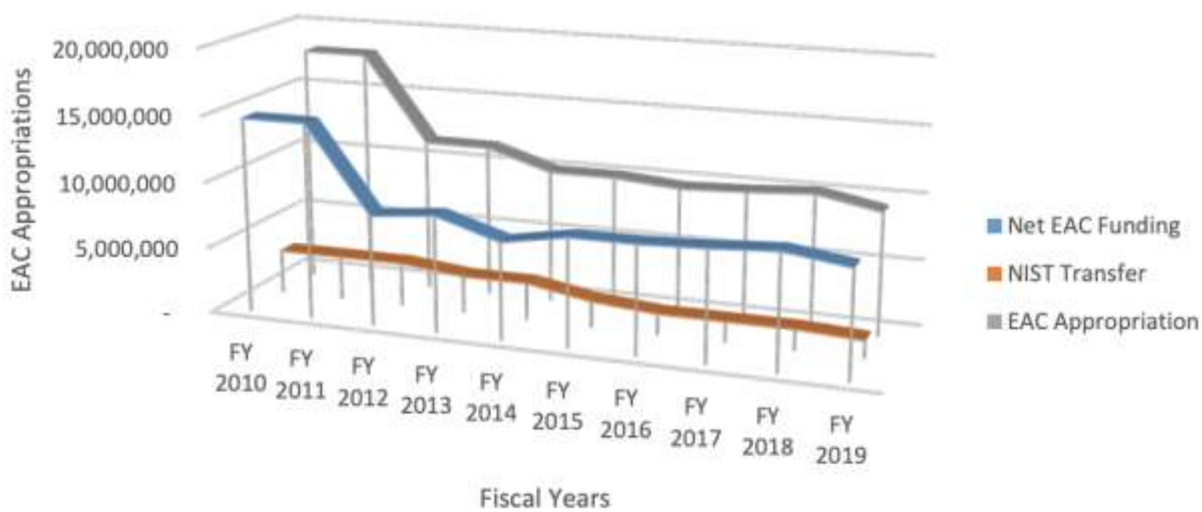
Amid growing concern about the integrity of the nation’s election systems, President Trump gave the federal agency charged with coordinating efforts to ensure accurate and secure voting a slight funding increase as part of his fiscal 2021 budget request to Congress.

For the bipartisan and independent Election Assistance Commission, the plan proposed allocating a little over $13 million, of which $1.5 million would be transferred to the National Institute of Standards and Technology. This would represent a $300,000 increase over fiscal 2020 enacted levels, after subtracting a one-time allocation for relocation expenses from the 2020 total.

While some election security experts applauded the slight funding boost in Trump’s proposal, others say more is needed for the agency that certifies voting systems and serves as an information clearinghouse for best practices in election administration.

Separately, the proposal does not include any grants under the 2002 Help American Vote Act for the federal government to provide to states to shore up their election security; $425 million was included in fiscal 2020 appropriations.

The chart below shows EAC's appropriations, including legislatively mandated transfers to the National Institute of Standards and Technology, from fiscal years 2010-2019. EAC's budget for salaries and administration has declined from a high of $18 million in 2010, to just $8 million in 2019. This proposed funding in Trump's fiscal 2021 request is almost $4 million more than two years ago and the administration indicated the increase would go toward employees' travel and contracting services.



Source: U.S. Election Assistance Commission Inspector General

FEW receives information from the following sources and contacts: Roll Call, GovExec, FedScoop, Bloomberg, The Hill, National Law Review, and Army Times.