



**EAST BAY REGIONAL PARK DISTRICT
BOARD LEGISLATIVE COMMITTEE
AGENDA STAFF REPORT**

DATE	March 5, 2025
TITLE	Informational Update on the Federal Budget and Grants
DIVISION	General Manager's Office
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RECOMMENDATION

This is an informational item.

BACKGROUND

Staff will provide a verbal update regarding the Federal budget and grants.

ANALYSIS

Government Funding

The current temporary extension on Fiscal Year (FY) 2025 government funding extends through March 14th, at which time Congress and the administration will need to enact: (1) a full year appropriations package for the remainder of the fiscal year; or (2) a clean or slightly adjusted funding patch (lasting weeks or through the fiscal year); or (3) a combination of a clean funding extension for some government agencies while providing full year appropriations for other agencies. Policymakers will likely seek additional add-ons to this funding package, including disaster assistance (predominantly to address California wildfires and North Carolina/South East hurricanes/floods), border security, and various partisan policy riders from both sides of the aisle. Failure to find an agreement on government funding by the March 14th deadline would lead to a government shutdown.

Under the Fiscal Responsibility Act (FRA) of 2023, negotiated by then-Speaker Kevin McCarthy (R-CA) and former President Joe Biden, a spending sequester would occur if Congress enacts a continuing resolution, rather than a full year appropriations bill, to keep the federal government open. The sequester would cut \$45 billion from base defense spending while increasing nondefense discretionary base spending by \$25 billion. However, there are indications that the Office of Management and Budget may not enforce the sequester, or in the event of a sequester, Republicans could plug defense shortfalls stemming from a sequester in a later budget reconciliation package.

As work on the FY 2025 appropriations cycle is still ongoing five months into the fiscal year, appropriators are having to simultaneously begin the FY 2026 appropriations cycle and are receiving funding requests, prepping for appropriations hearings, and will begin a mark-up schedule to ready FY 2026 funding bills for consideration in the full House and Senate this summer.

Budget Reconciliation- Border Security/Energy/Defense/Tax Cuts and Jobs Act Extension/Additional Tax Policy

As the FY 2025 and FY 2026 appropriations process continues on parallel tracks, Congressional Republicans are also focused on utilizing the budget reconciliation process, which was established by the Congressional Budget Act of 1974, to advance top policy priorities. The modern-day use of the reconciliation process is primarily as a legislative strategy to avoid the Senate filibuster when the House, Senate, and White House are controlled by the same party. Recent reconciliation bills include the Affordable Care Act (Dem/2010), Tax Cuts and Jobs Act (GOP/2017), American Rescue Plan (Dem/2021), and the Inflation Reduction Act (Dem/2022).

In 2025, Republicans have found it challenging to coalesce around a procedural strategy to advance reconciliation bill(s) to enact top Trump policies to secure the border, advance American energy, strengthen defense, extend President Trump's 2017 Tax Cuts and Jobs Act (TCJA) provisions, and address the President's tax-related commitments from the campaign trail (no tax on tips, overtime, Social Security, etc.). The central disagreement stymieing progress on reconciliation stems from some Republicans preferring to combine all Trump policy priorities into one reconciliation bill rather than multiple bills.

On February 12th, the Senate Budget Committee advanced a budget resolution containing reconciliation instructions out of committee in an attempt to kickstart work on a reconciliation bill. The Senate's resolution directed authorizing committees to produce policies to secure the border, bolster the military, and increase American energy independence. However, the Senate's resolution does not include the TCJA extension or other tax policy. Under the Senate's preferred strategy, Republicans would pass a second budget resolution containing reconciliation instructions to address TCJA and other tax matters at a later time.

The House Budget Committee also marked up and passed its own version of a budget resolution on February 13th, by a party-line (21-16) vote. The House resolution includes reconciliation instructions for border security, energy, and defense. However, unlike the Senate budget resolution, the House version would start the reconciliation process for TCJA extensions, other tax policies, as well as significant spending cuts. The budget measure would allow the House's tax panel to come up with tax cuts that increase the deficit by up to \$4.5 trillion over a decade, while ordering other committees to cut enough from mandatory spending programs to reduce the deficit by \$1.5 trillion—with much of those cuts coming from politically sensitive programs such as Medicaid and Supplemental Nutrition. Additional offsets will likely consist of climate and energy related spending programs created in the Biden administration's Inflation Reduction Act.

If (and only if) an identical budget resolution is approved by both the House and Senate, it will unlock a reconciliation process that enables major legislation to fast-track and bypass the Senate's 60-vote filibuster rule with a simple majority vote. Presently, the House and Senate have produced very different budget resolutions, and it remains unclear when, or if, the differences in strategy and policy can be resolved in the immediate future.

National Defense Authorization

The annual National Defense Authorization Act (NDAA) provides authorization of appropriations for the Department of Defense (DOD) and other defense-related activities. It is considered a must-pass bill and, as such, will often contain unrelated legislation as policymakers look to the bill as a vehicle for extraneous matters. FY 2025 was the 64th consecutive fiscal year for which NDAA was enacted. In most years, the House and Senate Armed Services Committees will begin receiving policy and funding requests in early spring, mark-up their respective bills in Committee by April or May, and advance a defense bill in each chamber during the summer or early fall. Final passage tends to occur towards the end of the year. Notable to East Bay Regional Park District, the current FY 2025 NDAA includes language to facilitate the land transfer at Judge John Sutter Regional Shoreline.

Federal Grant Funding

In late January, Matthew J. Vaeth, Acting Director of the Office of Management and Budget (OMB), issued a memo to heads of executive departments and agencies in the Trump administration, calling for a temporary pause of agency grant, loan, and other financial assistance. The memo instructed federal agencies to “temporarily pause all activities related to obligations or disbursement of all federal financial assistance.” It also called for each agency to perform a “comprehensive analysis” to ensure its grant and loan programs are consistent with President Trump’s executive orders, including but not limited to federal diversity, equity and inclusion initiatives, financial assistance to foreign aid, nongovernmental organizations, and clean energy spending. The memo is not intended to impact federal funding “provided directly to individuals.”

The following day, OMB issued supplemental instructions to agencies related to compliance with the original memorandum. Each program listed is subject to a series of questions (columns I – U), presumably to determine its applicability for additional scrutiny related to compliance with various executive orders. All federal agencies that provide federal financial assistance were required by February 7, 2025, to complete a spreadsheet and submit it to OMB. The information requested must be provided for any program which has funding or activities planned through March 15, 2025. OMB is expected to follow up with additional deadlines for subsequent periods. OMB pulled a list of every line-item program at agencies and is collecting information to determine their target list for “further scrutiny/accountability”—so if the answer to all the policy questions is “no” and/or the answer to the statutory question is “yes”—the funds are not likely caught up beyond the “pause.” Whether a program can be exempt from the “pause” is at OMB discretion at the behest of the agency.

The most immediate effect of the pause has been legal actions by parties negatively impacted by the administration’s action. The National Council of Nonprofits, the American Public Health Association, the Main Street Alliance, and the nonprofit SAGE sued OMB, arguing the freeze order was “devoid of any legal basis” and would harm hundreds of thousands of grant recipients who depend on federal grants. The nonprofits argue the guidance should be overturned because it violates the Administrative Procedure Act, arguing it is “arbitrary and capricious,” exceeds the agency’s authority and is contrary to the First Amendment. Another suit was brought by the state attorneys general of New York, California, Illinois, Massachusetts, New Jersey, and Rhode Island.

The government-wide effort to collect and centralize data on agency-by-agency government spending led by the Department of Government Efficiency, in coordination OMB Director Russell Vought’s aggressive view of Executive Branch discretion as relates to federal funding decisions is likely to lead to ongoing disruption to ‘status quo’ funding streams. Members of Congress (at least initially Congressional Democrats) are likely to push back on Executive Branch decisions they believe violate their Article One spending authority, further complicating bipartisan discussions around annual government funding.

FISCAL IMPACT

None.

ATTACHMENTS

None.