

File # 180145  
Received in Committee  
3/22/18  
for.

# Federal Select Committee

## Federal & State Update



**CITY & COUNTY OF SAN FRANCISCO**

Controller's Office  
Department of Public Health  
Human Services Agency

3.22.2018

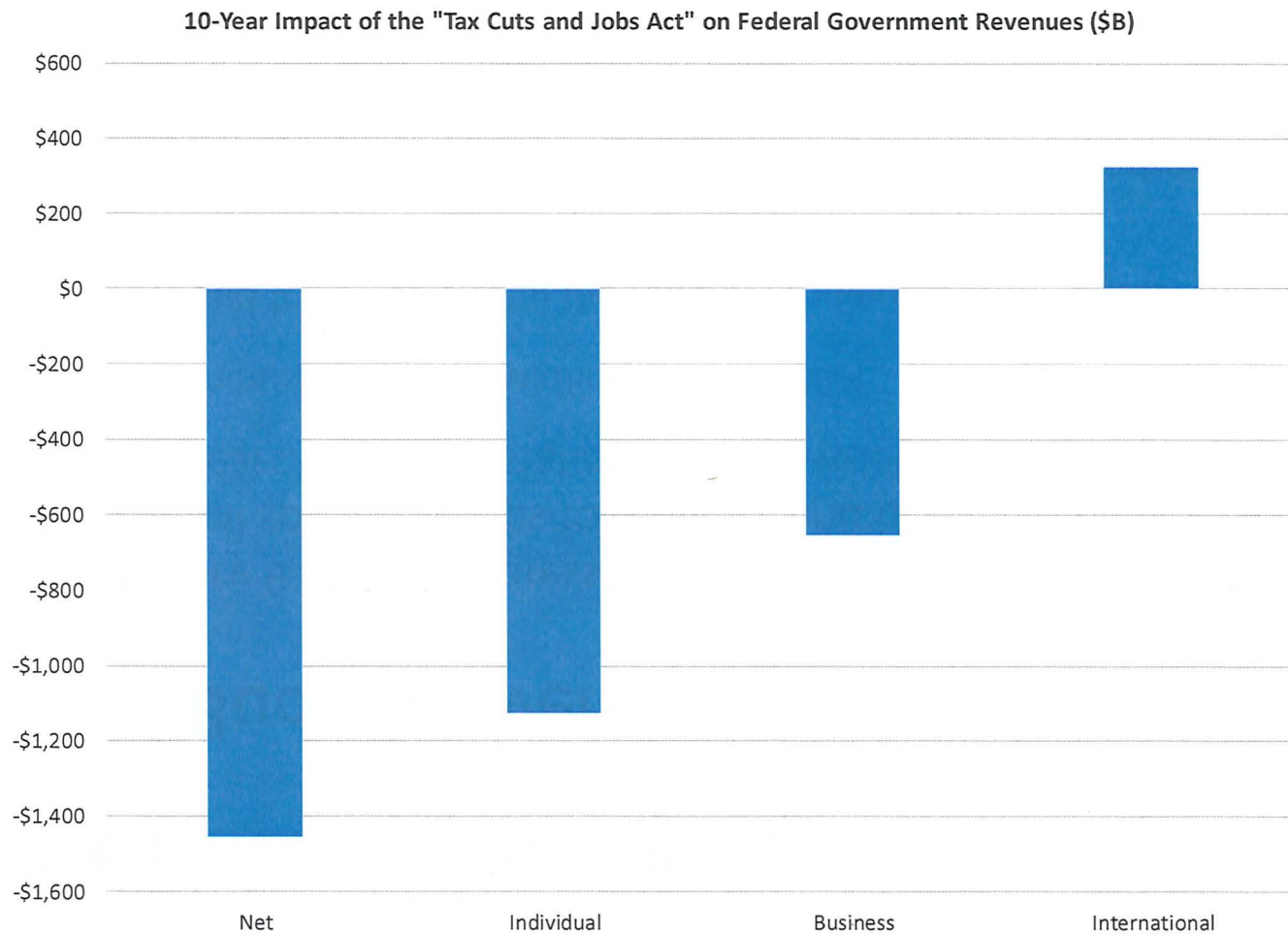
## Agenda

- Controller's Office
  - Federal budget
  - Local economic impact of federal tax changes
  - SB1 repeal
  
- Public Health: Affordable Care Act and federal budget update
  
- Human Services Agency: State and federal issues

## Federal Budget Overview

- On February 9, 2018 Congress approved a two-year budget package which lifted overall spending caps for military and domestic programs over the next two years. Effect on states will vary widely. Provisions included:
  - \$90B in hurricane and wildfire disaster relief
  - Extended to 10 years total the federal funding reauthorization for the Children's Health Insurance Program (CHIP)
  - \$20B for infrastructure spending on water, energy, transportation and rural broadband infrastructure
  - Lifted federal debt limit until March 2019, stabilizing bond markets
- March 23 deadline to pass the fiscal year 2018 omnibus appropriations package to fund the government through September 30, allocating \$140B among programs. Failure to meet the deadline would require approval of another short-term continuing resolution (CR).

# Tax Cuts and Jobs Act: 10-Year Cost of \$1.5 Trillion





# Major Individual and Business Tax Policy Changes

## Individual

Policy Change	10-Year Impact (\$B)
Lower rates	-1,214
Repeal of Personal Exemption	1,211
Modified Standard Deduction	-720
Repeal deduction for taxes paid (SALT)	668
Increase individual AMT exemptions	-637
Modification of Child Tax Credit	-673
20% deduction of qualified business income	-415

## Business

Policy Change	10-Year Impact (\$B)
Lower rate to 21%	-1,348
Limit net interest deductions to 30% of ATI	253
Modification of net operating loss deduction	201
Amortization of R&D expenditures	120

## Nationwide Impact on Income Distribution, 2027

Income Category	Change in Tax Payment vs. Current, All Households (\$M)	Average Change per Return	% Change
Less than \$10,000	\$383	\$20	7.3%
\$10,000 to \$20,000	\$6,487	\$318	NA
\$20,000 to \$30,000	\$8,359	\$372	26.6%
\$30,000 to \$40,000	\$4,864	\$299	8.2%
\$40,000 to \$50,000	\$4,317	\$301	4.4%
\$50,000 to \$75,000	\$4,060	\$142	1.2%
\$75,000 to \$100,000	-\$1,037	-\$53	-0.3%
\$100,000 to \$200,000	-\$5,993	-\$180	-0.5%
\$200,000 to \$500,000	-\$5,890	-\$594	-0.6%
\$500,000 to \$1,000,000	-\$3,099	-\$2,551	-0.9%
\$1,000,000 and over	-\$8,495	-\$13,506	-1.0%



## Implications for San Francisco

- We do not have access to the same IRS data as Congressional analysts, so estimating the impact of the Federal tax change on San Francisco will be slower and subject to greater error.
- Key questions we hope to address in later hearings include:
  - Given the high-end rate cuts, and the reduction of the SALT deductions, will San Francisco households pay more or less?
  - How much will the local business community benefit?
  - Will the impact on income distribution in San Francisco mirror the national projections? Will it be worse?
  - Can we estimate the overall economic impact?
  - Other questions of interest to the Committee.

## SB 1: Road Repair and Accountability Act of 2017

- Generates \$5B annually statewide
  - 12 cent increase per gallon of gasoline
  - Transportation Improvement Fee
  - Excise tax on diesel fuel
- ~\$60M annual total revenue for San Francisco
  - \$23M – Paving Program for Public Works (67% or \$15.5M in FY19)
  - \$38M – \$27M Operating & \$9.5M for capital Programs for MTA (67% or \$25.5M in FY19)
- Repeal measure will likely qualify for November ballot
  - Would eliminate SB1 tax increases
  - Would mandate voter approval for increases in gas taxes





# The San Francisco Department of Public Health Federal Update

Budget & Finance Federal Select Committee  
March 22, 2018







# Federal Budget Deal

The Federal **two year spending deal** includes several health items:

- Extends funding for the Children's Health Insurance Program (CHIP) through 2027
- Provides funding for community health centers and related programs for two years
- Provides \$6 billion in funding for opioid treatment and mental health services
- Delays cuts to Medicaid Disproportionate Share Hospital (DSH) payments by two years
- Congress plans to make further cuts to the Prevention and Public Health Fund (PPHF) by \$1.35 billion over the next 10 years



# President's 2019 Federal Budget Proposal

President's **proposed budget** includes several reductions to health related programs and entitlements:

- Reduces Health & Human Services budget by 21%
- Reduces Medicare spending by \$236 billion, or 7.1%, by 2028
- Reduces Medicaid spending by \$1.4 trillion over ten years
  - *Assumes ACA 'repeal and replace'*
- This blueprint will most likely not become law, but the proposal still highlights the White House's priorities





# Federal Efforts to Undermine the ACA

Administrative and legislative actions related to the ACA:

- **Repeal the individual mandate** - passed through Tax Reform legislation in Dec 2017 and takes effect Jan 2019
- **Reduce or eliminate subsidies** that make insurance affordable for low- and middle-income individuals. President Trump announced he will end federal payments to cover ACA cost sharing reductions in Oct 2017
- Allow consumers to purchase **short-term health plans** (rule proposed in Feb 2018)
- Allow states to **impose restrictions on Medicaid beneficiaries** such as work requirements (CMS guidance issued January 2018)



## Key Takeaways

- Health insurance benefits remain in place
- **Further federal changes** are still possible, but details and impact **remain uncertain**
- **California's response** to any federal changes **will be critical**
- **California** Legislature is currently **considering options to maintain and expand access to health care** (e.g., improving affordability of Covered California plans, expanding Medi-Cal to undocumented adults, California individual mandate)
- **133,000 San Franciscans** have obtained insurance under the ACA, so changes that would reduce or eliminate coverage could have a large public health impact

## Human Service Agency: State Issues

### Cost Shifts In Home Support Services

- SB 90 shifted significant IHSS costs from the state to counties
- Local costs are estimated to increase by \$80M a year by FY 2021-22
- Possibility to reopen the legislation next year; we're actively engaged

### Reforming State Administrative Allocation Methodologies

- IHHS Administrative Funding
  - Expected at least \$30M more in in the Governor's budget
  - CWDA found flaws in DOF's application of the allocation methodology and is working with Dept. of Finance to correct for May Revise

### CalWORKS

- As a result of caseload declines, State has made significant cuts (17%) to the CalWORKs administrative allocations over the past 3 years
- Advocated the last 2 years to mitigate severity of cuts, while also getting the State to develop a new allocation methodology for next FY
- \$56.5M proposed cut in the FY18-19, equals a 1.5% cut to SF CalWORKS



## Human Service Agency: Federal Issues

### New Work Requirements for CalFresh Able-Bodied Adults Without Children (ABAWDs), Effective 9/18

- Federal law limits CalFresh receipt to 3 months over 3 years for ABAWDs unless the individual satisfies a work requirement
- Since the recession, California has been under a statewide waiver of the work requirement; expires in 9/18
- 5,000 San Franciscans are in danger of losing their food benefit
- No additional state or federal funding to develop appropriate workforce strategies
- HSA is in the process of designing a program which may have a partial local cost

Medi-Cal: efforts to convert Medicaid to a block grant or per capita cap remain a risk

