The White House released the President’s budget proposal for fiscal year 2019 on February 12, just days after President Trump signed a bill extending spending caps for military and domestic spending and suspending the debt ceiling. While the new law has already established government-wide tax and spending levels for the coming fiscal year, the specific proposals contained in the budget request reflect Administration priorities and may still be considered by the Congress. Here, we consider how such proposals may affect the Federal Government in its role as a lender, insurer, and financial regulator.

Between its lending and insurance balances, it is apparent that the U.S. Government has more assets and insured obligations than the five largest bank holding companies combined. (BHC data from FFIEC National Information Center)

Through various agencies, the US government is deeply involved in the extension of credit and the provision of insurance. It also plays an active regulatory and oversight role in the financial marketplace. While individual credit and insurance programs serve different target populations, they collectively reach into the lives of most Americans, from homeowners to small business owners to bank account holders and students. Note that this graphic does not reflect social insurance, such as Social Security and Medicare/Medicaid.

After adjusting for inflation, federal involvement in the credit market remained relatively stable from 1994 until the financial crisis. During and after that crisis, the government played a countercyclical role and stepped in to fill a void left by the lenders who had either failed or exited the retail lending market. The Budget proposes to keep the current trajectory of loan volume, with traditional credit program balances projected to reach $4.34 trillion in FY2019. We highlight Budget proposals for specific credit programs below.

(Data compiled from Budget of the United States Government, Analytical Perspectives, FY1996-2019)

In addition to the roughly $4 trillion in outstanding loan balances from traditional credit programs, the government backs trillions of dollars in insurance and other forms of federal financial support, collectively touching the lives of almost every American. The following panels discuss what the Budget proposes for some of the largest of these activities.

In constant-dollar terms, funding for the SEC has increased steadily since 1994. While less sizable in absolute terms, growth of CFTC's funding over the period is considerable as well, exceeding 200% in growth. The Budget proposes to fund the Commodity Futures Trading Commission at $250 million and proposes fees that would allow the Commission to spend an additional $32 million in 2019. The fees would be designed to support market access, liquidity and efficiency in derivatives markets.

After CFPB's startup phase, the Bureau's funding has remained relatively stable. However, the Administration's budget proposes major changes for the CFPB's funding mechanism moving forward.

(Data compiled from Budget of the United States Government, Appendix, FY1996-2019)

The Budget proposes to reduce automatic (mandatory) funding for the Consumer Financial Protection Bureau derived from the Federal Reserve Board by $147 million (23% below current law) in 2019 and to transition the Bureau to the Congressional (discretionary) appropriations process beginning in 2020.

The Budget would reduce funding for the Office of Financial Research within the Treasury Department by about 20% and subject the office to the normal appropriations process, presumably beginning in 2020. (The workforce would also be cut by 78 FTEs.)

The Budget projects the FDIC's Deposit Insurance Fund reserve ratio will reach the statutorily required level of 1.35 percent by 2019.