

The Circle Game

Senate Presidents' Winter
Forum

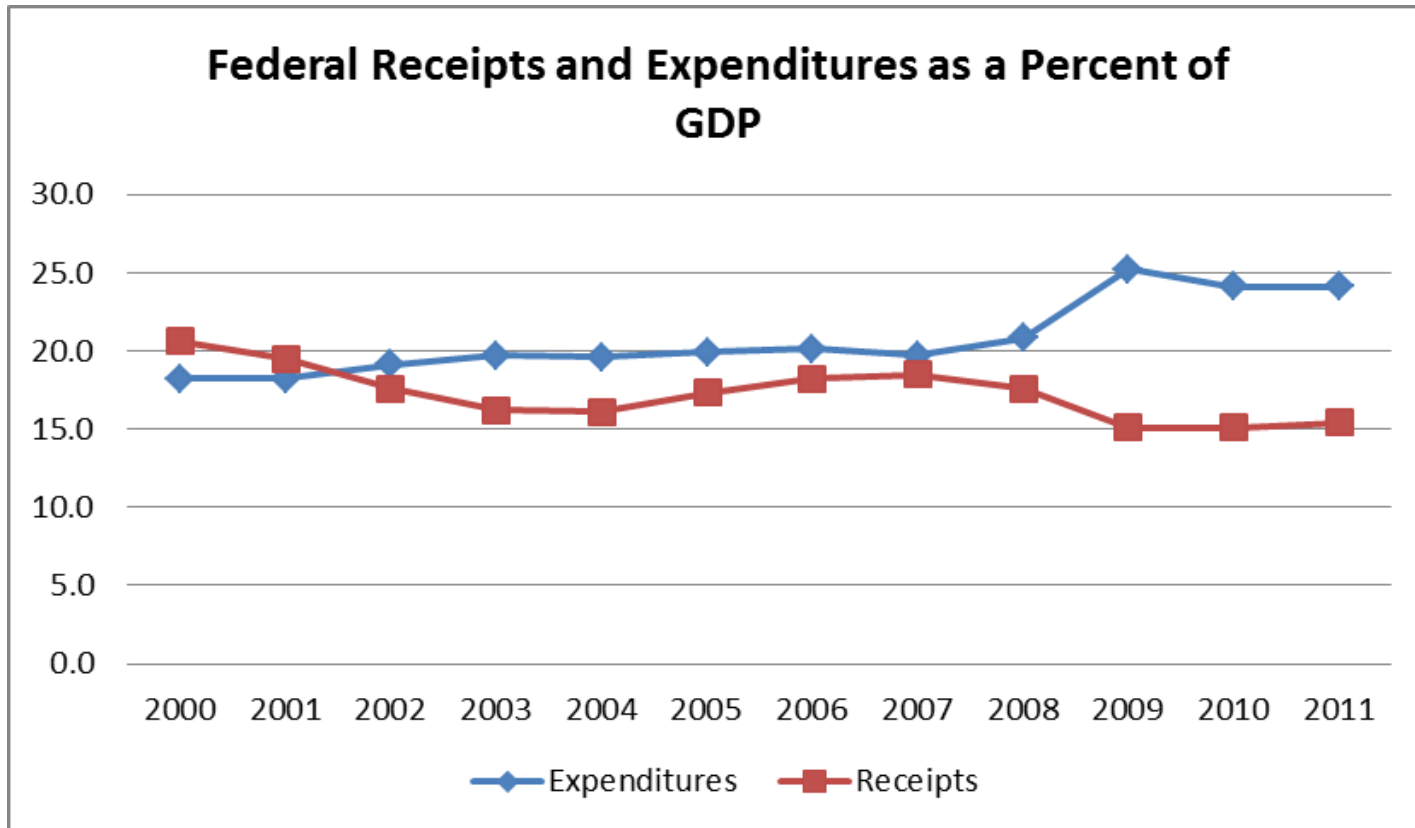
January 11, 2013

Palm Beach, FL

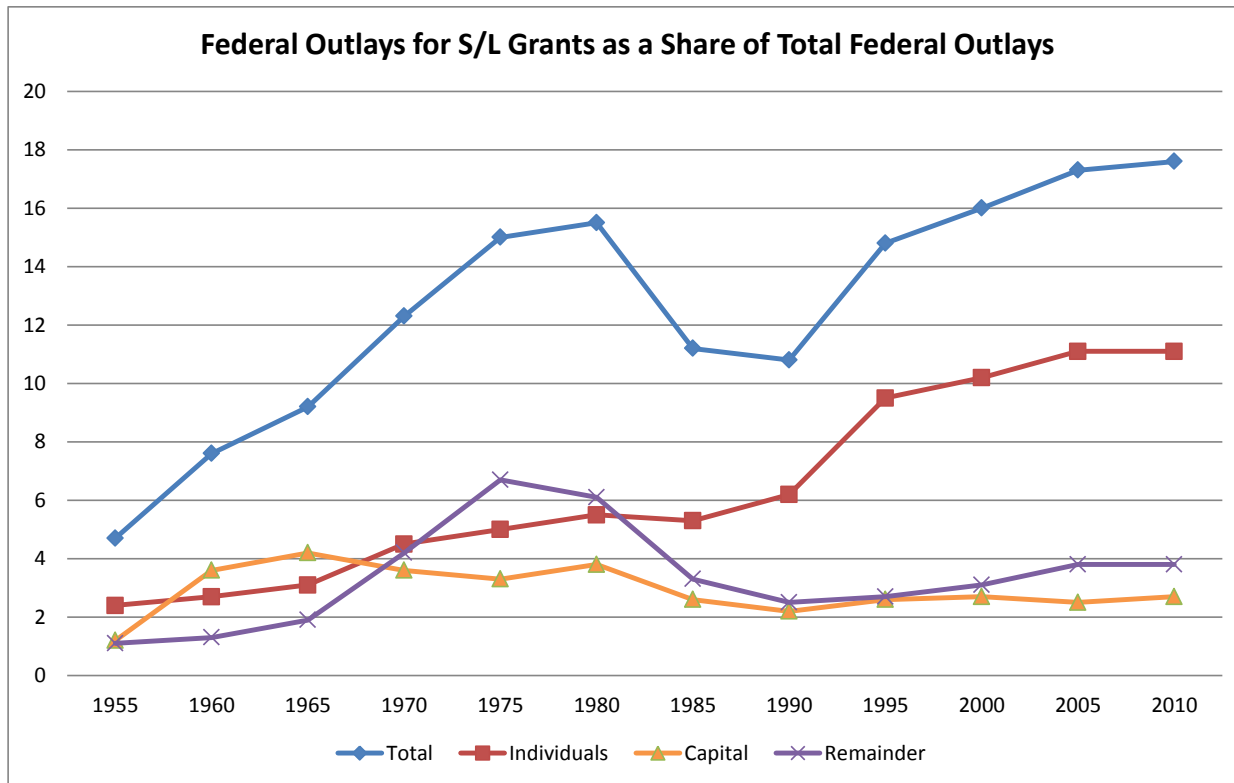


**Federal Funds
Information for States**

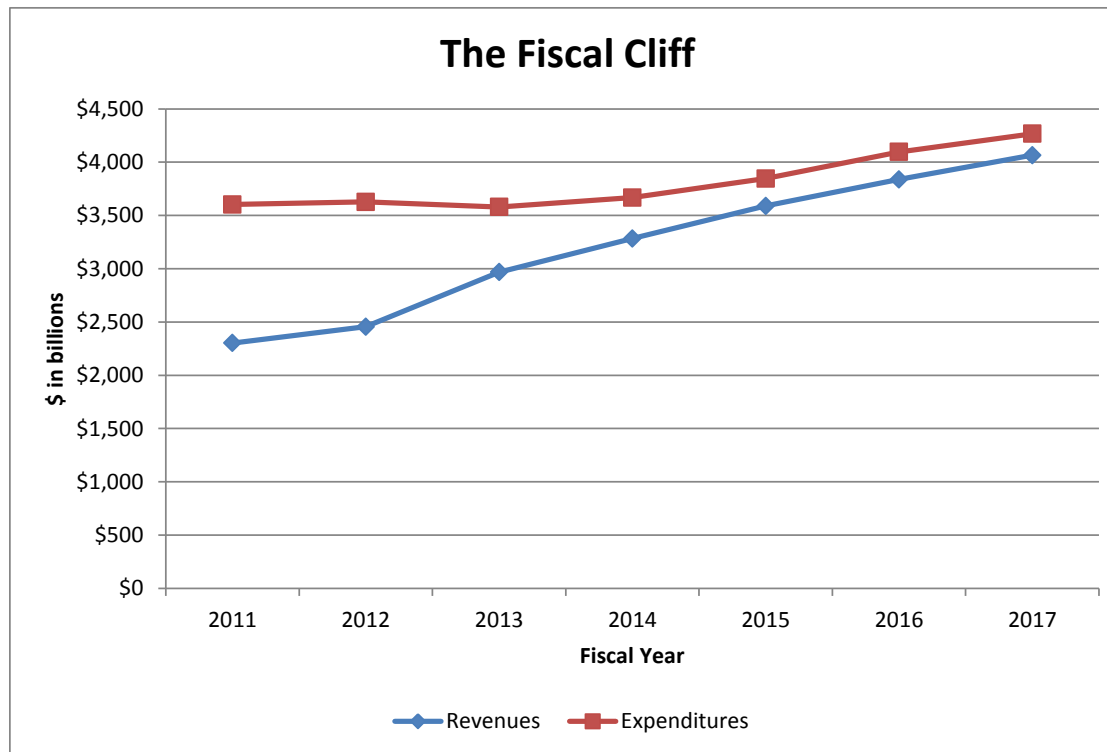
How did we get here?



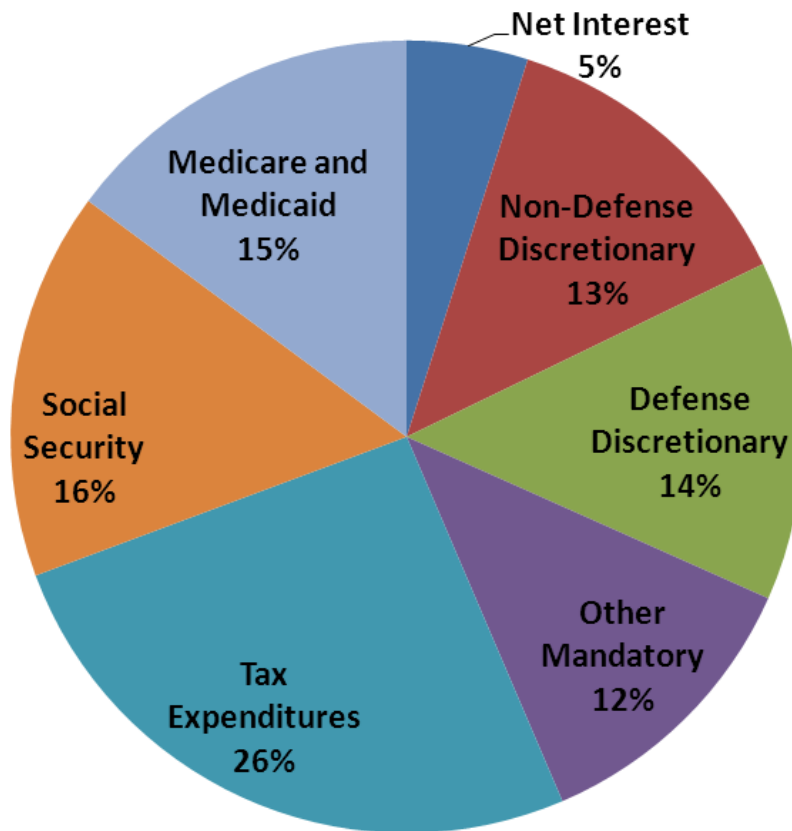
How did states get here?



The fiscal cliff was mostly about revenue



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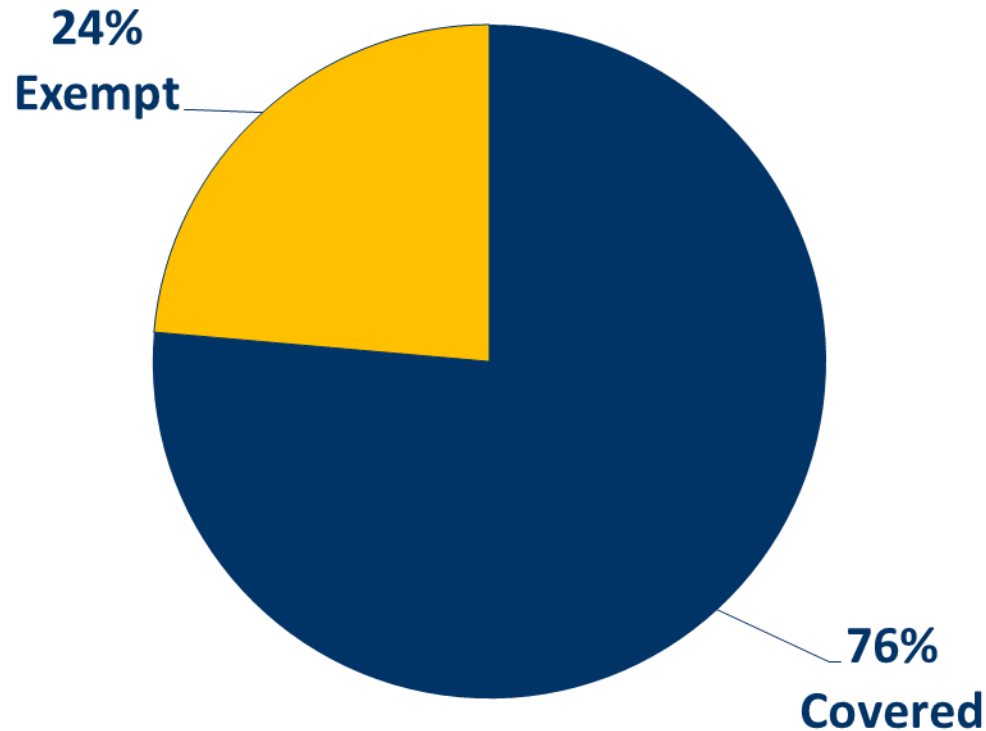


Source: Bipartisan Policy Center, June 2012.

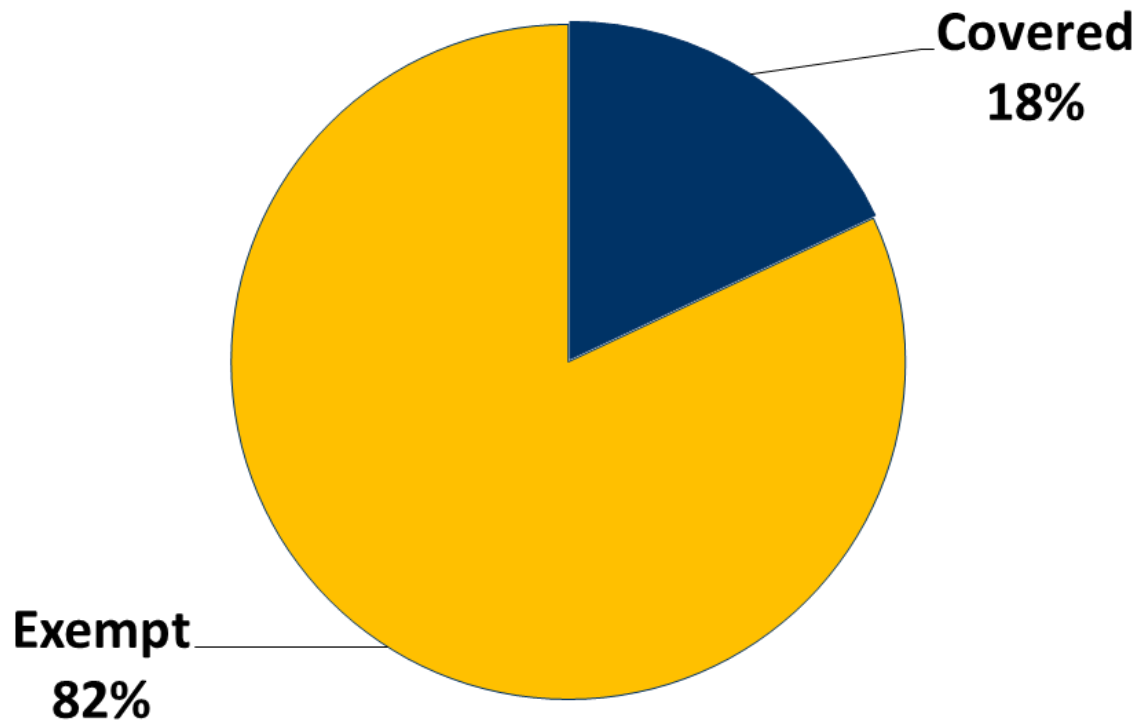
The “fix” didn’t change much

- The sequester is unchanged except the ATB percentage drops
- Domestic discretionary = -5.9% instead of -8.2%
- Effective March 1, 2013

While most state grant programs are subject to sequester...



Most state grant funding is exempt



The largest grants are mostly exempt

Program (dollars in billions)	FY 2013 CR
Medicaid – Vendor (E)	\$251
Food Stamp Benefits (E)	70
Pell Grants (E)	36
National Highway Performance (C/E)	22
CHIP (E)	17
TANF (E)	17
Title I Grants to LEAs (C)	15
Special Education (C)	12
Medicaid—Admin (E)	11
School Lunch (E)	11



The largest nonexempt grants mostly benefit local governments

Program (dollars in billions)	FY 2013 CR
Title I Grants to LEAs	\$15
Special Education	12
Head Start	8
WIC	7
Public Housing Operating Fund	4
LIHEAP	3
UI State Administration	3
Vocational Rehabilitation	3
Consolidated Health Centers	3
Community Development Block Grant (CDBG)	3



Potential impact of amended sequester is relatively minor

Program (dollars in billions)	FY 2012	FY 2013 CR w/sequester	Difference
Nondefense Grants in FFIS Database:			
Covered Programs	\$108	\$104	-\$4
Exempt Programs	484	496	12
All Programs	592	600	8



Defense sequester may have larger impact in some states

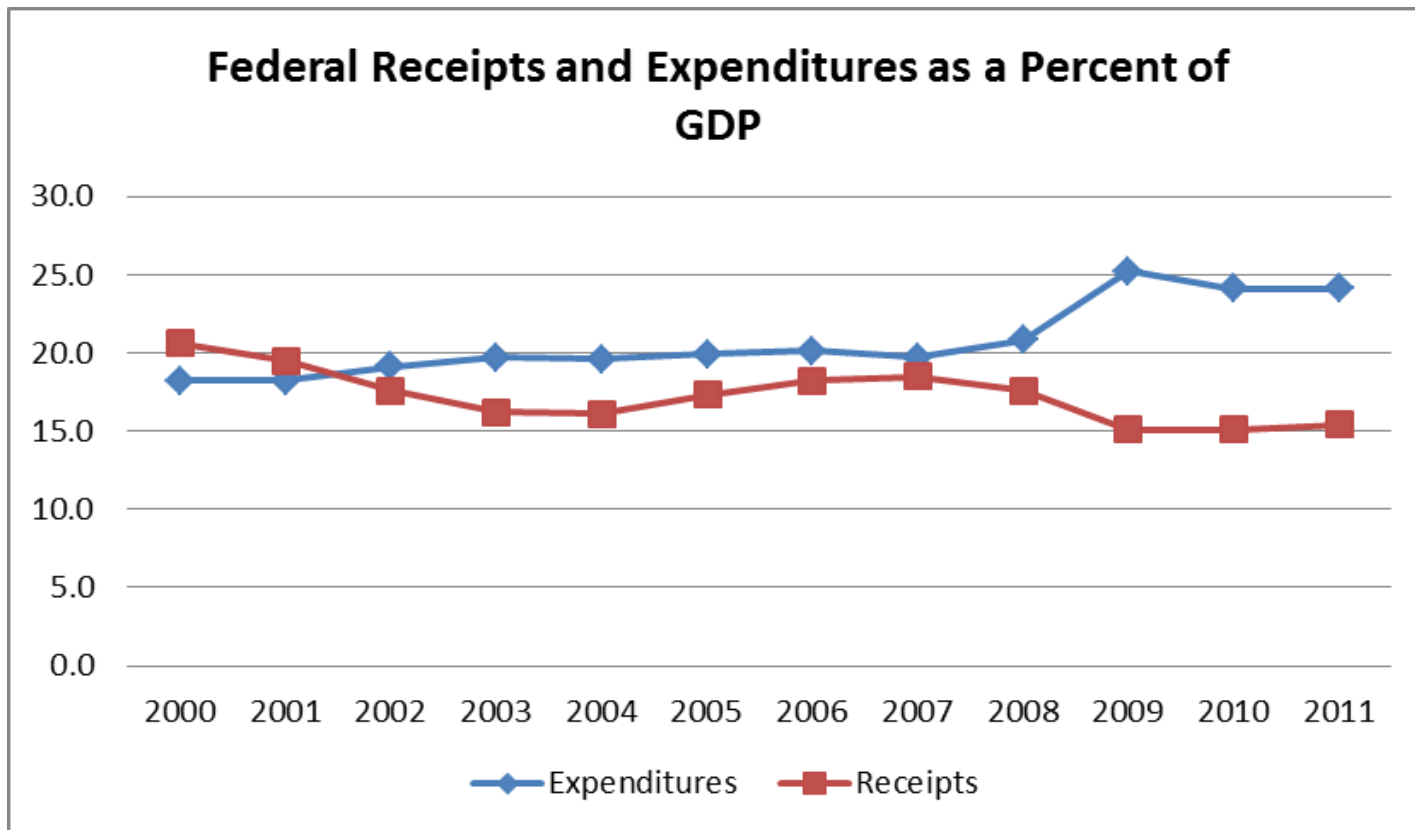
- Reduction is now -7.3% instead of -9.4%
- Could mean loss of \$26 billion in economic activity
- Most at-risk states: Virginia, California, Texas, Florida, Maryland, Massachusetts, Pennsylvania, Arizona, Connecticut and Missouri

We're captive on the carousel

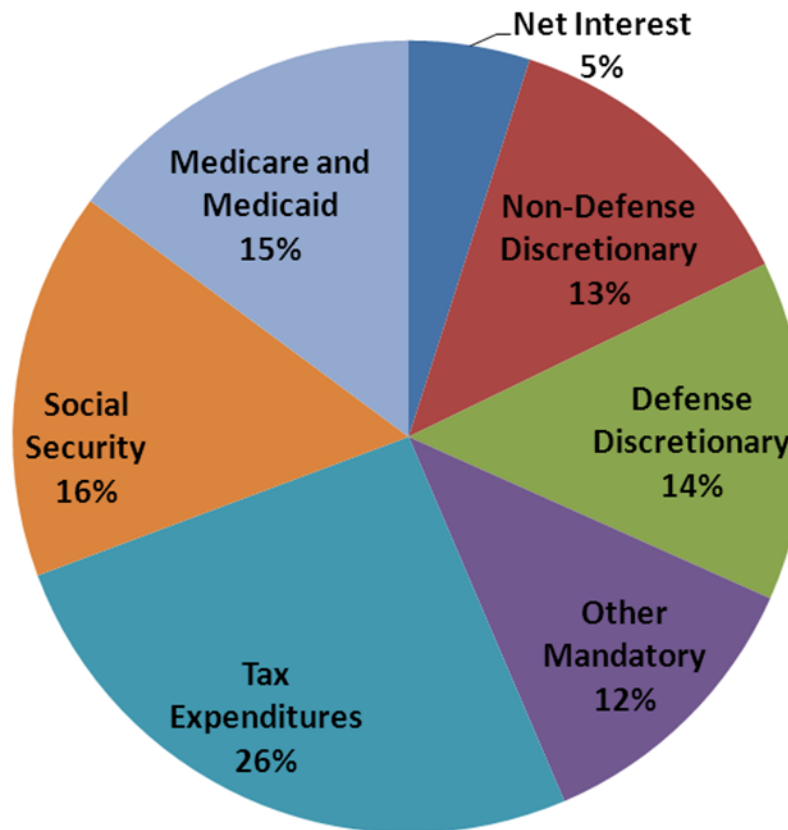
- One “crisis” averted, more in store:
 - March 1 sequester
 - Debt ceiling has been reached and will need to be raised
 - FY 2013 appropriations
 - CR expires March 27
- **Total** nondefense discretionary spending is \$610 billion, the federal deficit is \$1.1 trillion



And we're right back where we started



And we're right back where we started



Source: Bipartisan Policy Center, June 2012.



So what's the bottom line?

- The yawning gap between federal revenues and spending persists
- Tax expenditures and entitlements are squeezing out other spending
- The state-federal partnership is now defined by Medicaid
- Non-Medicaid grants have been on the descent for years, and that's unlikely to change.



Questions? Concerns?

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