

How will the BCA Sequester Affect State Budgets?

NCSL Fiscal Leaders
Seminar

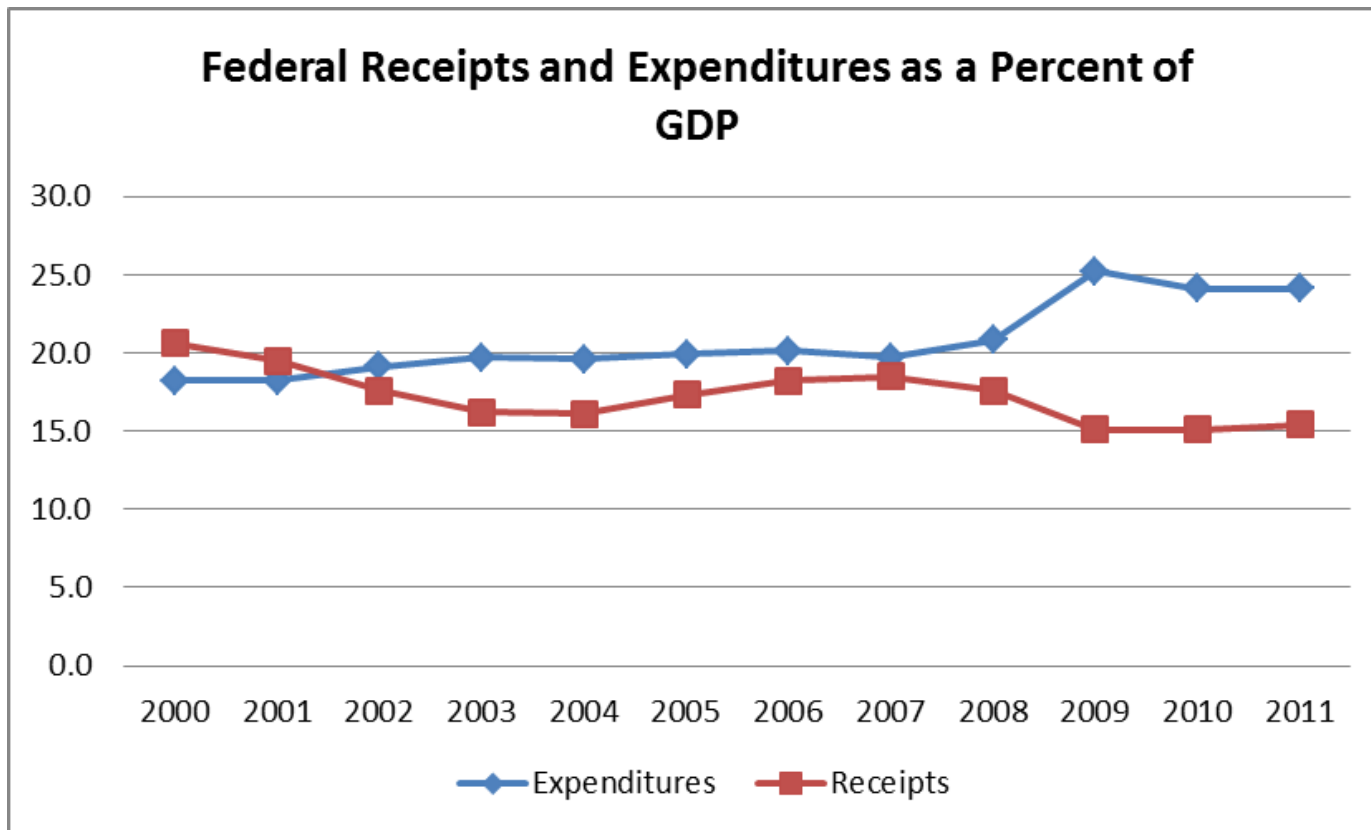
December 5, 2012

Washington, DC



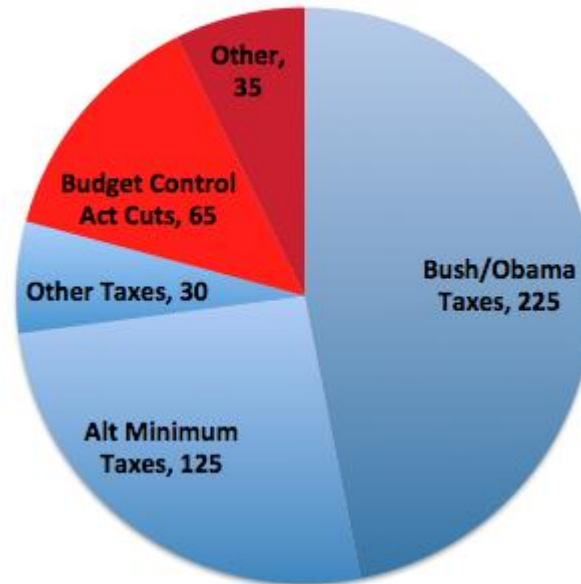
**Federal Funds
Information for States**

How Did We Get to This Place?

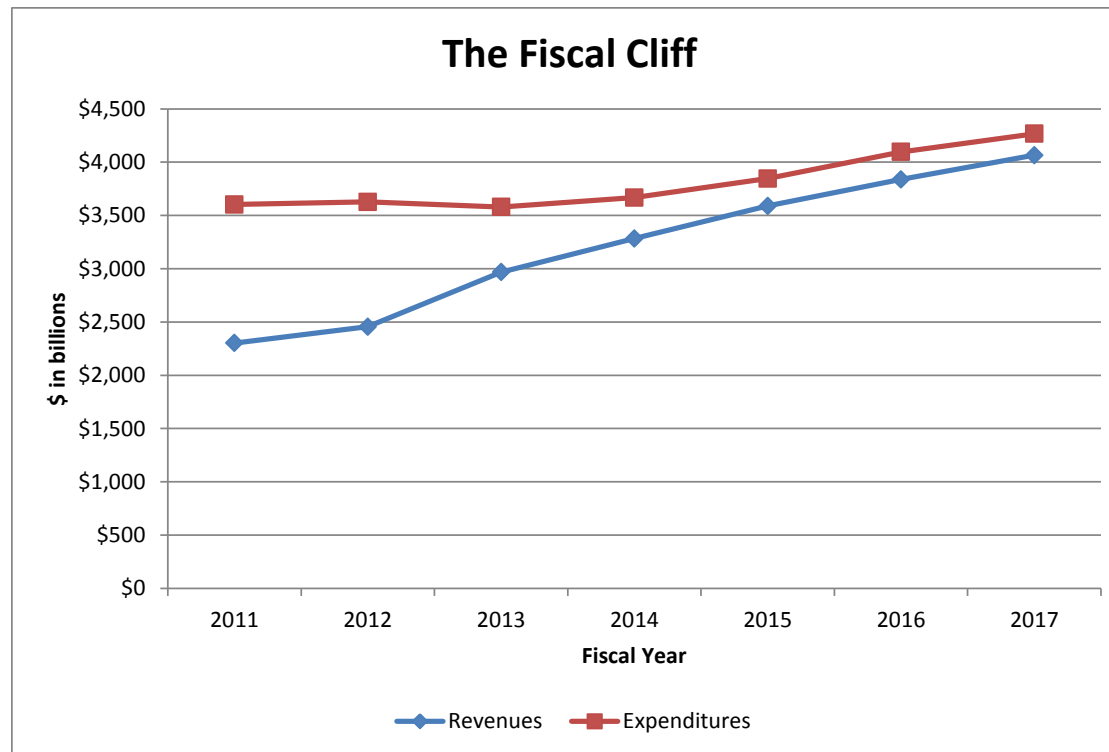


The Fiscal Cliff is Mostly about Revenue

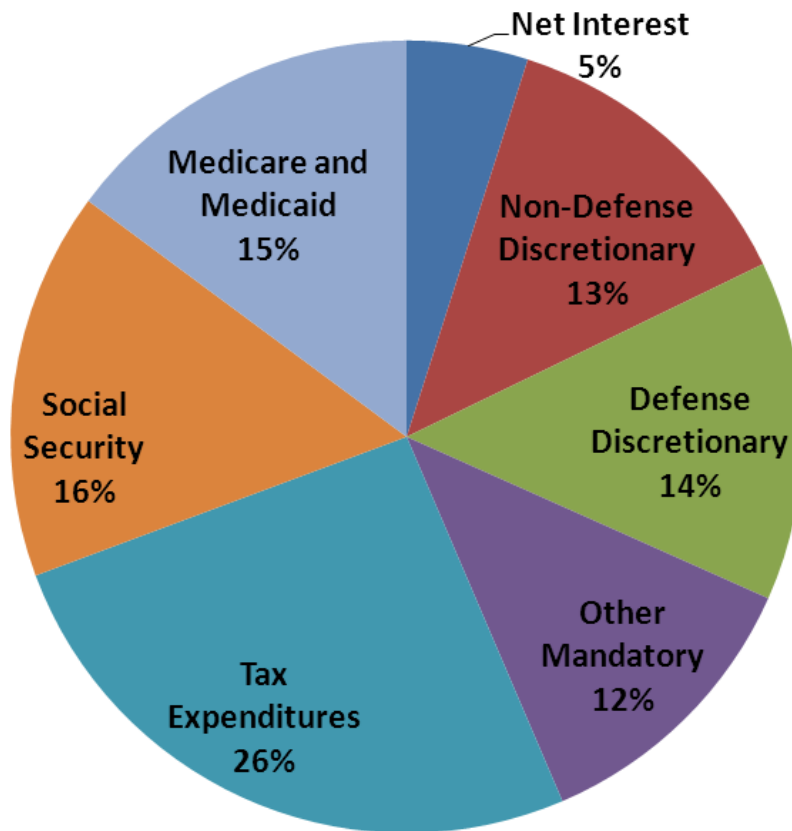
The Fiscal-Cliff Pie
Numbers = \$billions in cuts/savings



The Fiscal Cliff is Mostly about Revenue



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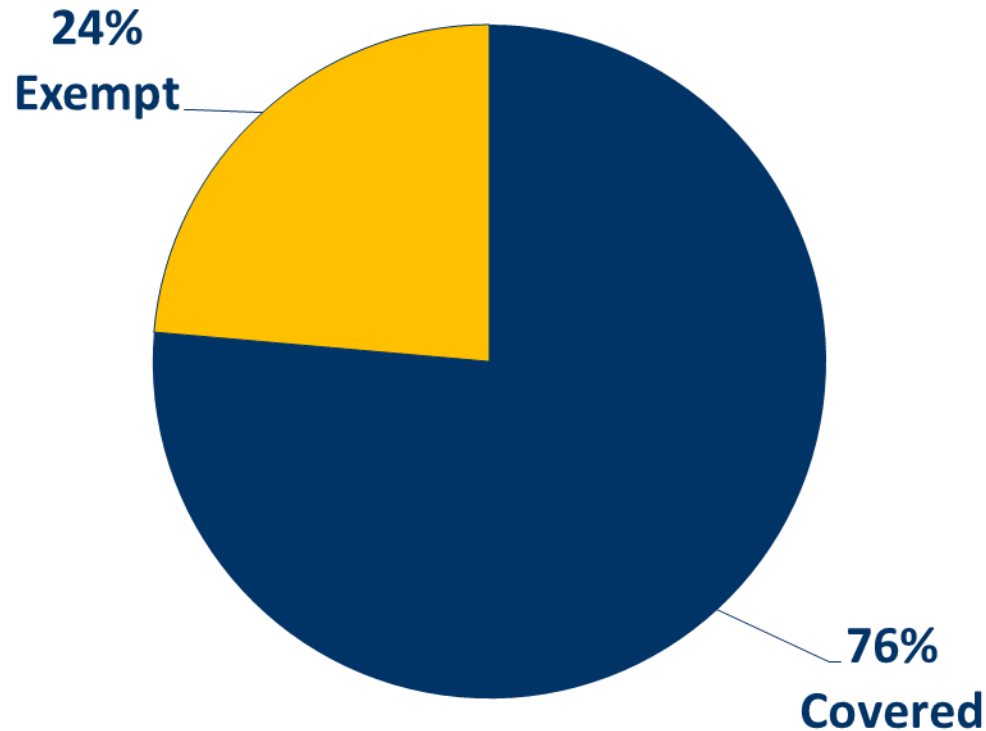
Source: Bipartisan Policy Center, June 2012.



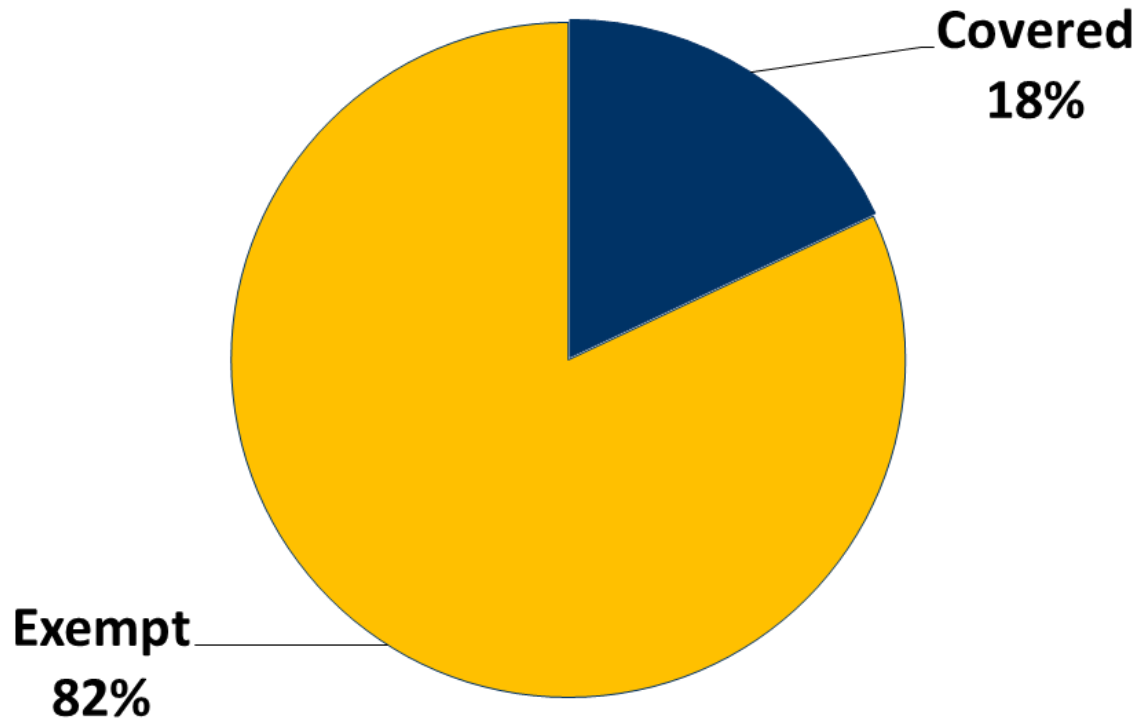
The Fiscal Cliff is Mostly about Revenue

- Revenue impacts will largely be felt by non-states (feds, corporations, individuals).
- Any state impact is likely to be positive (except for states that allow deduction for federal taxes paid).
 - A 2013 windfall is likely if dividend and capital gains rates are unsettled at year-end.

While Most State Grant Programs are Subject to Sequester...



Most State Grant Funding is Exempt



Grant Areas Subject to Sequester

Budget Function	Funding Covered by Sequester
Agriculture	100%
Employment and Training	100%
Community Development	100%
Justice	100%
Energy, Environment, Nat. Resources	89%
General Gov't	89%
Education (only 1 exempt)	54%
Income Security and Social Services	23%
Transportation	4%
Health (only 3 exempt)	3%



The Largest Grants are Mostly Exempt

Program (dollars in millions)	FY 2013 CR
Medicaid – Vendor (E)	\$251,464
Food Stamp Benefits (E)	69,885
Pell Grants (E)	35,992
National Highway Performance (C/E)	21,752
CHIP (E)	17,406
TANF (E)	17,178
Title I Grants to LEAs (C)	14,605
Special Education (C)	11,649
Medicaid—Admin (E)	11,440
School Lunch (E)	11,263



The Largest Nonexempt Grants Mostly Benefit Local Governments

Program (dollars in millions)	FY 2013 CR
Title I Grants to LEAs	\$14,605
Special Education	11,649
Head Start	8,017
WIC	6,659
Public Housing Operating Fund	3,986
LIHEAP	3,493
UI State Administration	3,245
Vocational Rehabilitation	3,231
Consolidated Health Centers	3,076
Community Development Block Grant (CDBG)	2,967

Potential Impact of Sequester

Program (dollars in millions)	FY 2012	FY 2013 CR w/sequester	Difference
Nondefense Grants in FFIS Database:			
Covered Programs	\$107,974	\$100,428	-\$7,547
Exempt Programs	484,235	497,159	12,924
All Programs	592,209	597,586	5,377

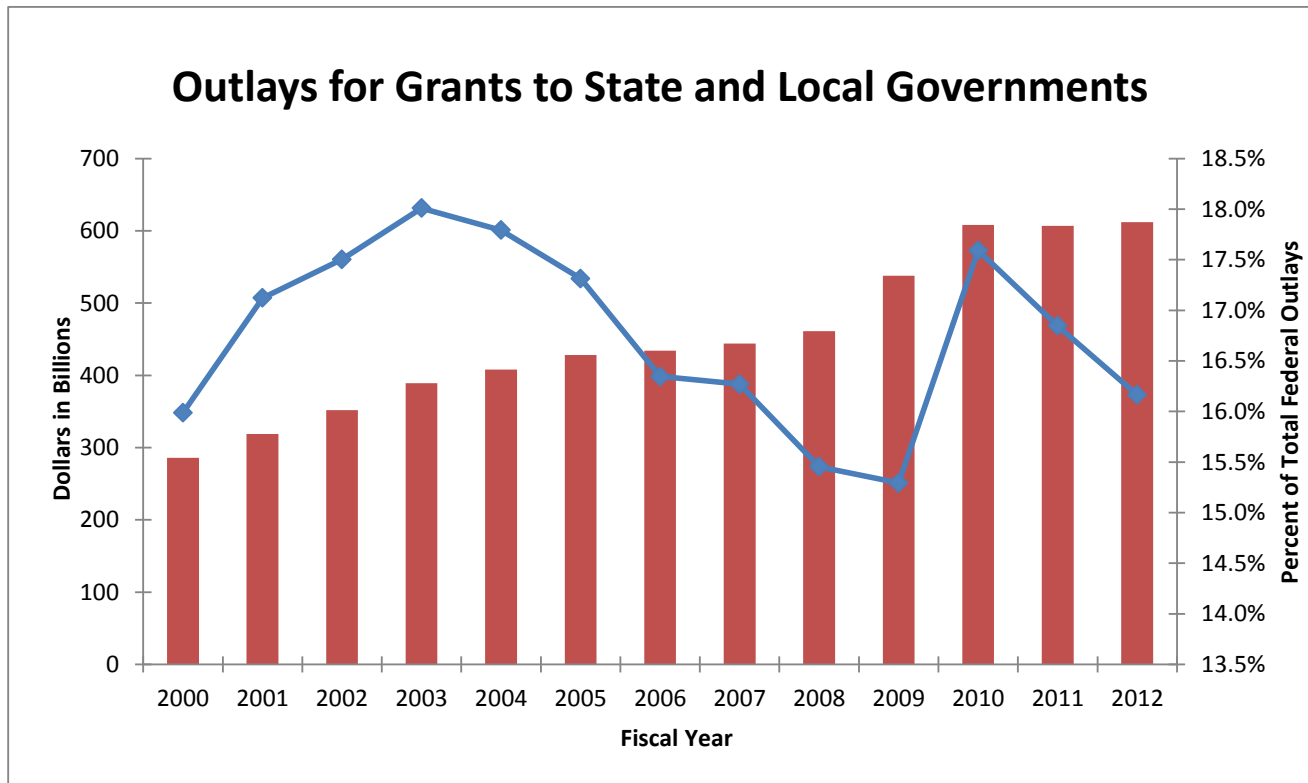


The Fiscal Cliff is not a Cliff

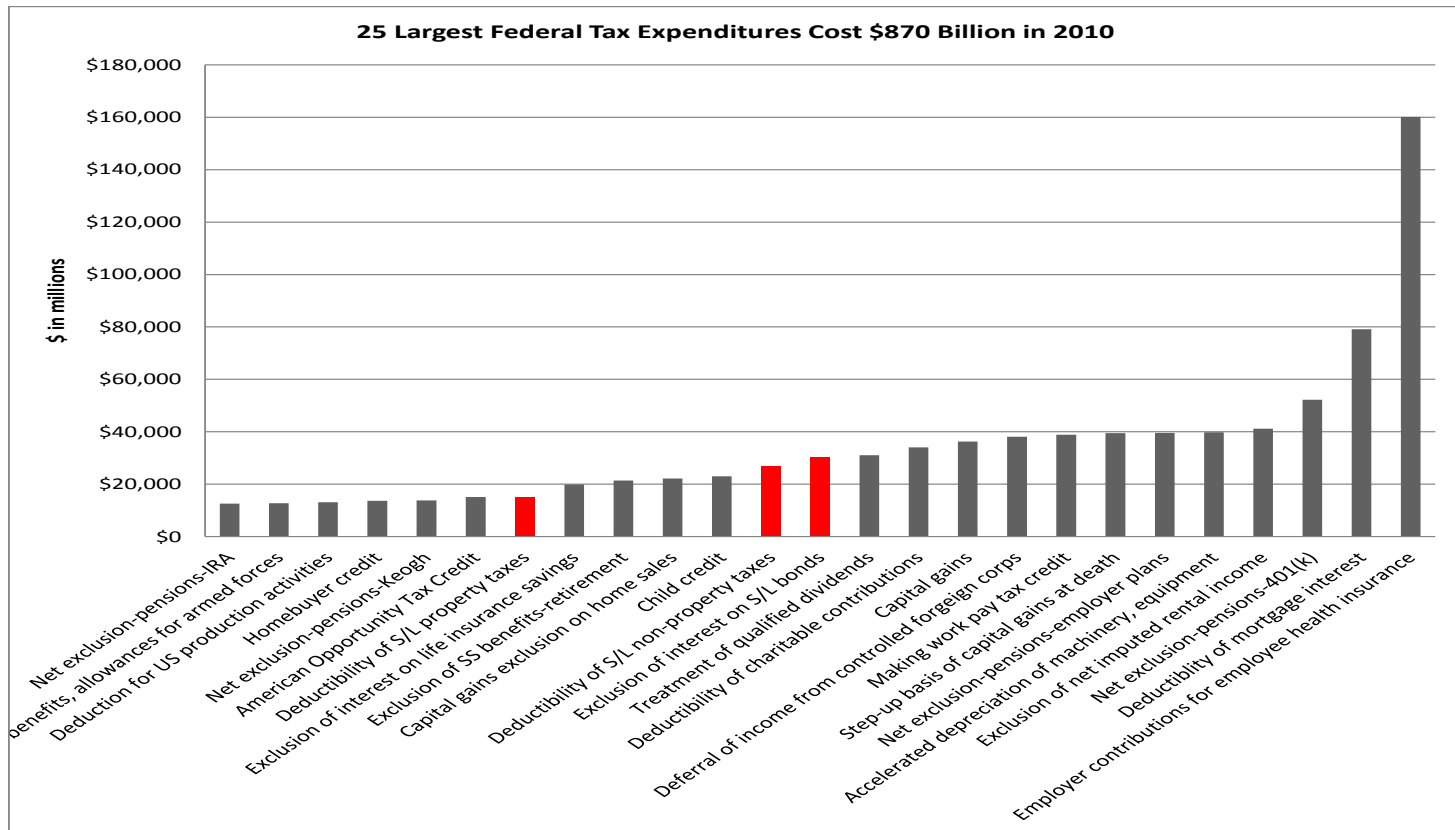
- The administration can forestall both tax increases and budget cuts
 - Leave tax withholding tables unchanged
 - Isolate sequester to final quarter of FY 2013
- The effects of the cliff are already being felt
- The world won't change overnight
- The biggest impact will be economic, not fiscal



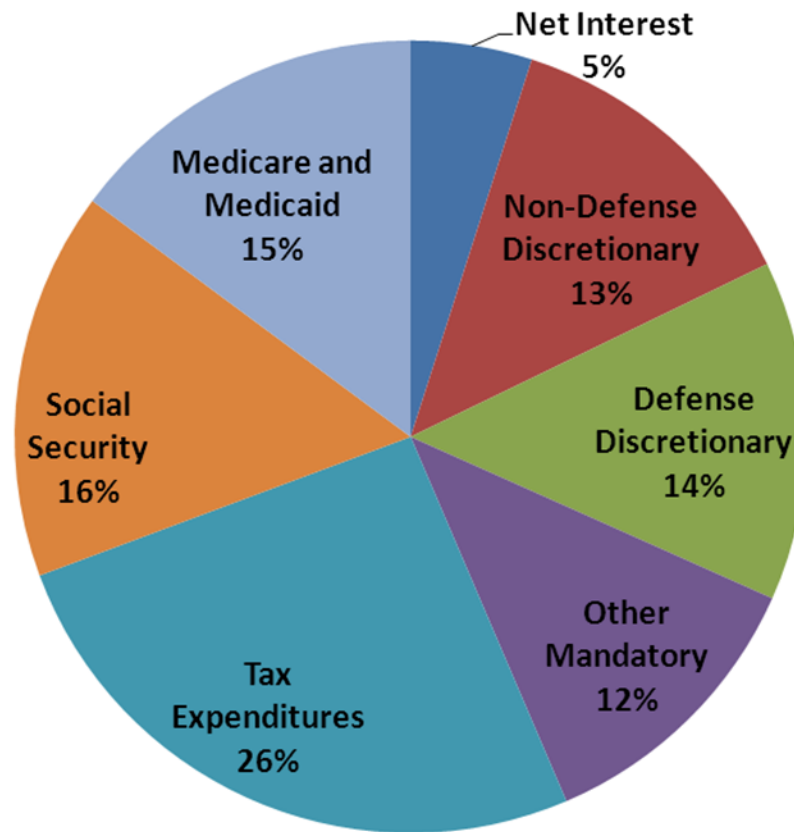
Be Careful What You Wish For



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Source: Bipartisan Policy Center, June 2012.