

The BCA and the States

Virginia House
Appropriations
Committee Retreat
November 15, 2011



**Federal Funds
Information for States**

Overview: BCA of 2011

Three components with potential to affect future funding for state grant programs:

- Discretionary spending caps w/adjustments (done)
- Joint Select Committee on Deficit Reduction (in process)
- Sequestration process (potential)



Discretionary Spending Caps

Discretionary Spending Limits Under Budget Control Act of 2011*

(\$ in billions)

	FY 2010	FY 2012			FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	
		President	House	Agreement										
Security**	\$683	\$689	\$719	NA	\$684	\$686	NS							
Non-Security	\$402	\$361	\$397	NA	\$359	\$361	NS							
Total	\$1,084	\$1,050	\$1,116	\$1,019	\$1,043	\$1,047	\$1,066	\$1,086	\$1,107	\$1,131	\$1,156	\$1,182	\$1,208	\$1,234
Dollar change from previous year		-\$34	\$66	-\$31	-\$7	\$4	\$19	\$20	\$21	\$24	\$25	\$26	\$26	\$26
Percent change from previous year		-3.2%	6.3%	-2.9%	-0.7%	0.4%	1.8%	1.9%	1.9%	2.2%	2.2%	2.2%	2.2%	2.2%

*Figures exclude funding for overseas contingency operations

**Security spending consists of spending from within the departments of Defense, Homeland Security, VA, National Nuclear Security Administration, intelligence community management, and budget function 150 (international affairs).

Sources: FY 2012 budget for FY 2010 and FY 2012 President; House Budget Committee website for House FY 2012; NGA for FY 2011



FY 2012 Appropriations: At What Cost to States?

FY 2012 Funding for Major Discretionary Programs Compared to FY 2011

Federal Agency	President	House	Senate	CR
Department of Education	4.8%	2.1%	0.2%	-1.5%
Department of Health & Human Services	-0.9	-4.4	-3.2	-1.5
Department of Housing & Urban Development	4.8	-2.4	-3.0	-1.5
Department of Energy/EPA	7.9	-41.8	NA	-1.5
Department of Justice	3.8	-65.9	-19.0	-1.5
Department of Homeland Security	31.2	-19.0	-31.1	-1.5
Department of Labor	5.3	-35.7	-0.5	-1.5
Department of Transportation	58.4	-31.5	0.7	-1.5
TOTAL - Major Discretionary Grants	21.0%	-13.6%	-2.8%	-1.5%

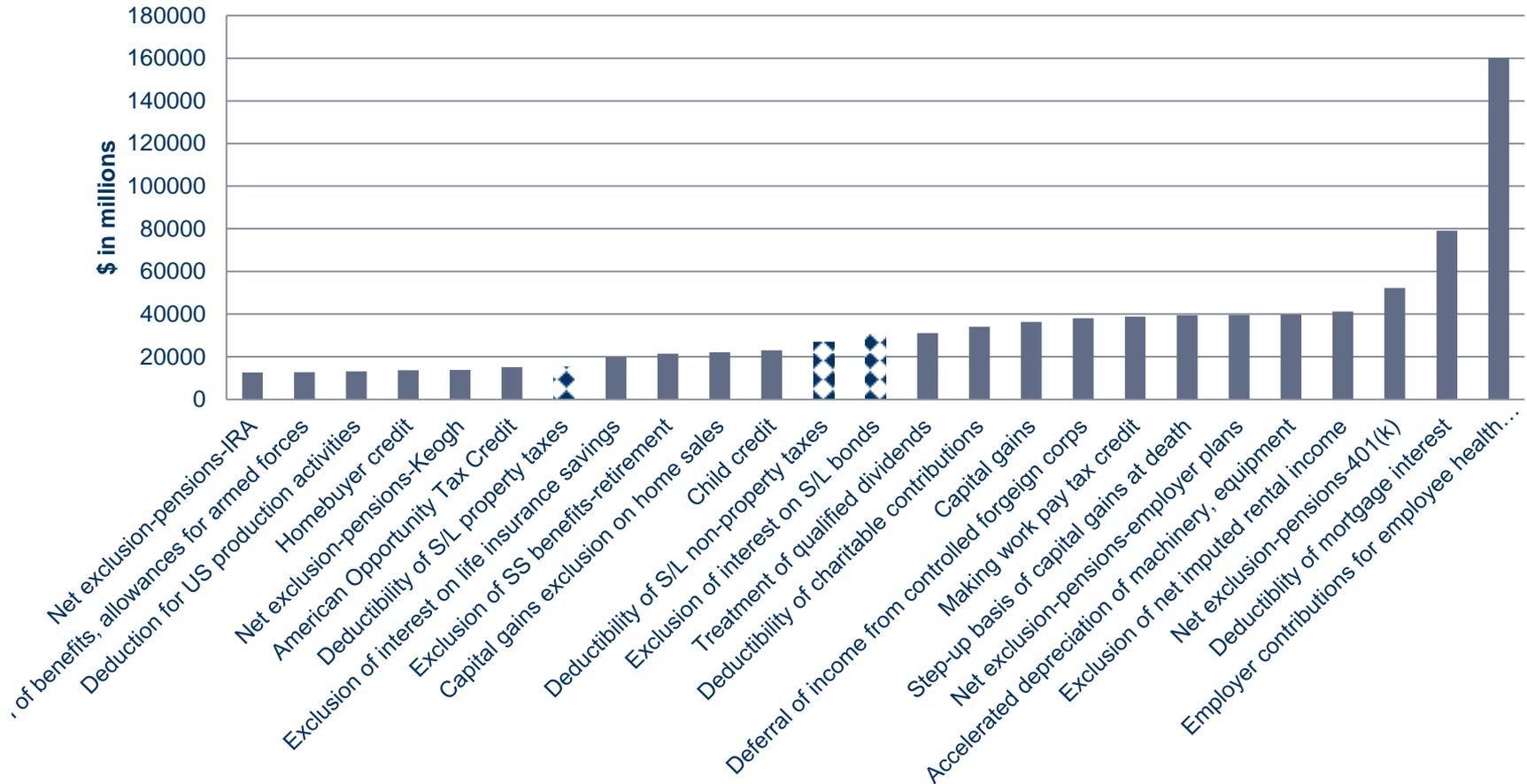
JSC: Revenue Options

Comparison of Deficit-Reduction Proposals' Impact on States

Policy	Bowles-Simpson	Domenici-Rivlin	Ryan/House Budget Resolution	Obama	CBO	BCA 2011
<u>Taxes/Tax Expenditures:</u>						
Eliminate itemized deduction for S/L taxes	Y	Y	?	Cap	Y	JSC
Curb or eliminate mortgage deduction	Y	Y	?	Cap	Y	JSC
Make S/L bond interest taxable	Y	N	?	Cap	Issuer Subsidy	JSC
Create federal sales tax	N	Y, 6.5%	N	N	5% VAT	JSC
Curb or eliminate tax exclusion for employer-provided health insurance	Y	Y	?	N	Y	JSC
Excise tax on sweetened drinks	N	Y	N	N	N	JSC

JSC: Tax Expenditure Options

25 Largest Federal Tax Expenditures Cost \$870 Billion in 2010



JSC: Medicaid/Health Care Options

Comparison of Deficit-Reduction Proposals' Impact on States

Policy	Bowles-Simpson	Domenici-Rivlin	Ryan/House Budget Resolution	Obama	CBO	BCA 2011
Medicaid/Health Care:						
Dual eligibles in Medicaid managed care	Y	Y	NA	N	N	JSC
Cap/reduce Medicaid admin funding	Y	Y	Implicit	N	N	JSC
Expedites Medicaid waivers	Y	NA	NA	Y	N	JSC
Limit health spending growth	Y, GDP+1%	Y	Y	Y, GDP*.5 (Medicare)	N	JSC
Mandate state cap on noneconomic malpractice	N	Y	N	N	Y	JSC
End/alter Medicaid match system	N	Y	Y	"Blended rate" with recession trigger	Y	JSC
Convert Medicaid to a block grant	N	N	Y	N	Y, LTC	JSC
Curb or eliminate Medicaid provider taxes	Y	NA	Implicit	Y	N	JSC
Repeal/modify ACA/health care reform	N	N	Y	Y (PPHF)	Y	JSC

JSC: Other Options

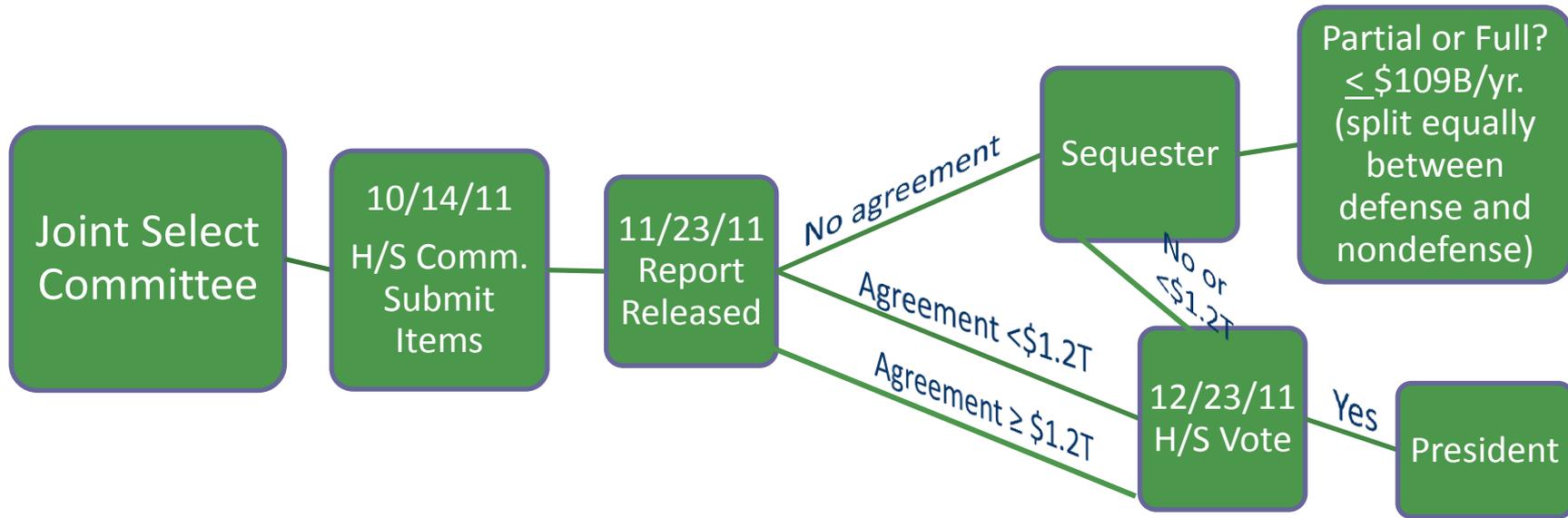
Comparison of Deficit-Reduction Proposals' Impact on States

Policy	Bowles-Simpson	Domenici-Rivlin	Ryan/House Budget Resolution	Obama	CBO	BCA 2011
<u>Other:</u>						
Cover S/L workers in Social Security	Y	Y	N	N	Y	JSC
Convert SNAP to block grant	N	N	Y	N	N	JSC
Consolidate job-training programs	NA	*	Y	N	N	JSC
Reduce Pell Grant funding	NA	*	Y	N	Y	JSC
Consolidate highway programs	NA	*	Y	Y per FY 2012 budget	Reduce funding	JSC
Eliminate funding for high-speed rail	NA	*	Y	N	Y	JSC
Eliminate/reduce abandoned mines payments to states	Y	*	N	Y	N	JSC

“Illustrative” List of Program Eliminations, Reductions

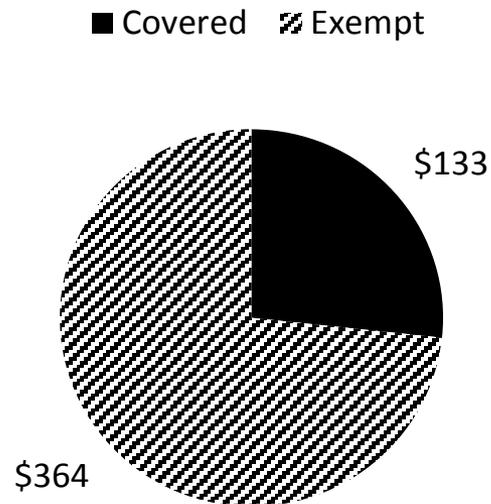
Educational Technology State Grants	Targeted Water Infrastructure Grants
Election Reform Grants	Tech Prep Consolidation
Emergency Operations Center Grant Program	Wastewater and Drinking Water SFRs
Energy Conservation Programs	Community Development Block Grant (CDBG)
FNS - Commodity Supplemental Food Program	Even Start Family Literacy Program
Leveraging Educational Assistance Partnership (LEAP)	Home Investment Partnerships Programs
New Starts Transit Program	Homeland Security, High-Risk Communities
Neighborhood Reinvestment Corporation	Federally Assisted Housing
Regional Development Agencies	Rent Subsidies
Resource Conservation and Development Program	Department of Justice programs (State and Local Law Enforcement Assistance, Justice Assistance, Juvenile Justice, COPS, and Violence Against Women)
Safe and Drug-Free Schools	New Housing Construction for the Elderly
Senior Community Service Employment Programs	New Housing Construction for Persons with Disabilities
State Criminal Alien Assistance Program (SCAAP)	Rural Water and Waste Disposal
Supplemental Educational Opportunity Grants	Timber sales
Surface Transportation Priorities	

Possible Scenarios: FY 2013



What We Can Say About a Sequester

**Major Grant Coverage of BCA Sequester Based on FY 2011
Funding Levels
(\$ in billions)**



Impact on States

- FY 2012: states could do better under a CR than under any other scenario
- FY 2013+ hinges on JSC
 - If it succeeds, what will it recommend?
 - If it fails, how big will ATB cuts be?
 - Is it meant only as a bridge to get through the 2012 election?