

# The Federal Budget and Alaska

Alaska Legislature: House  
Finance Committee  
Briefing

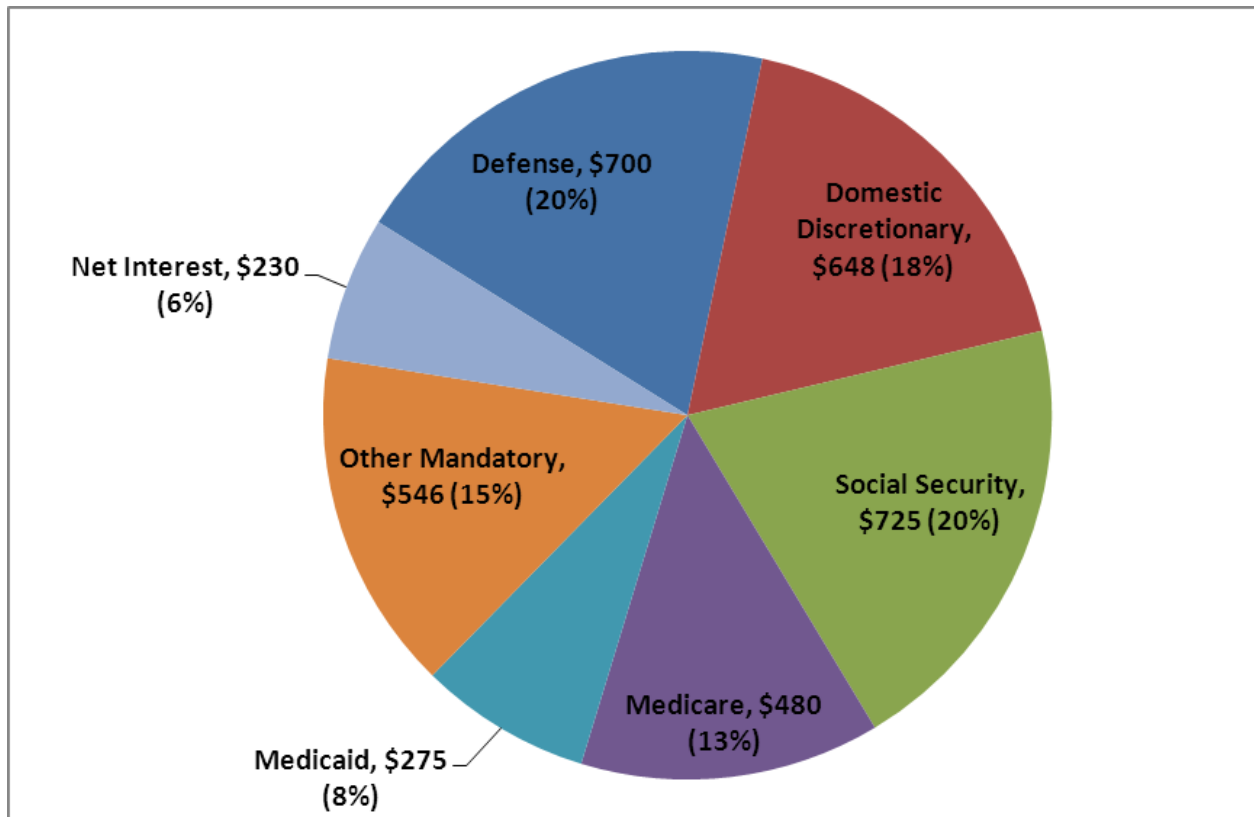
January 22, 2013



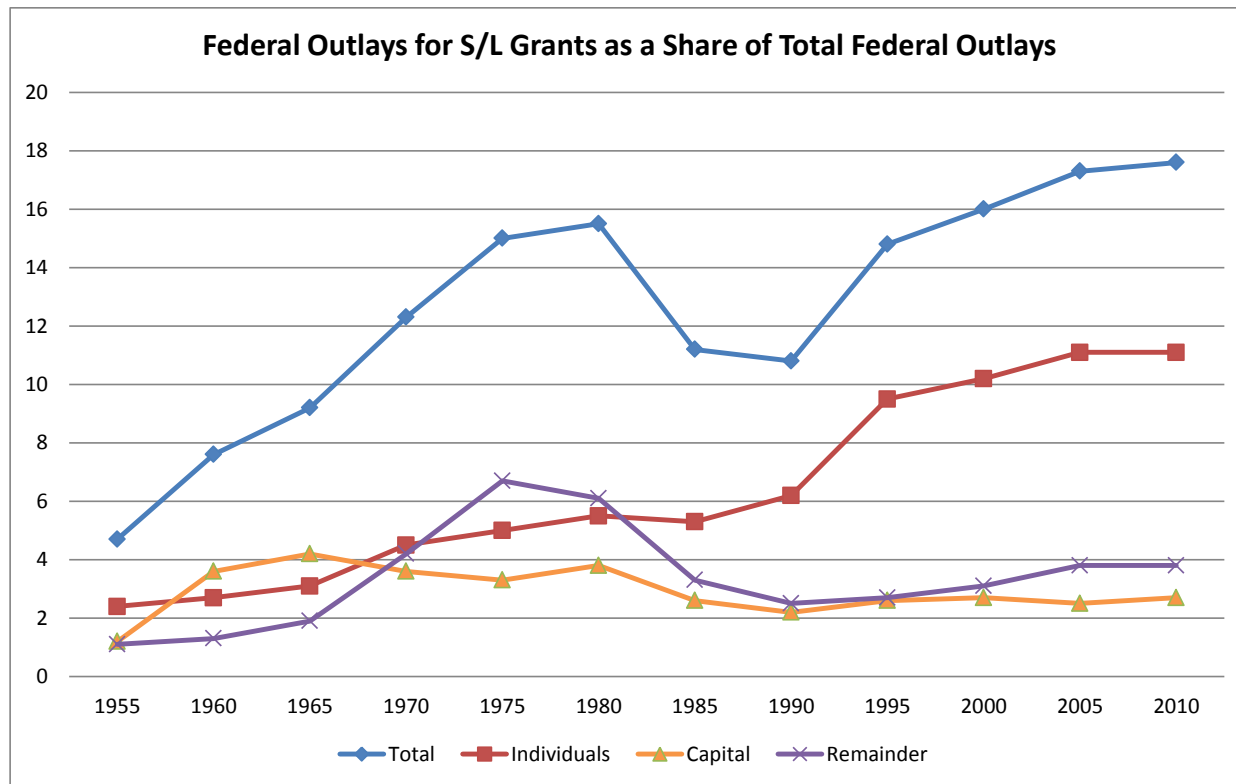
Federal Funds  
Information for States  
[www.ffis.org](http://www.ffis.org)

# Where the money goes: pieces of the federal budget pie

**Composition of Federal Outlays in FY 2011**  
(\$ in Billions, % of Total)

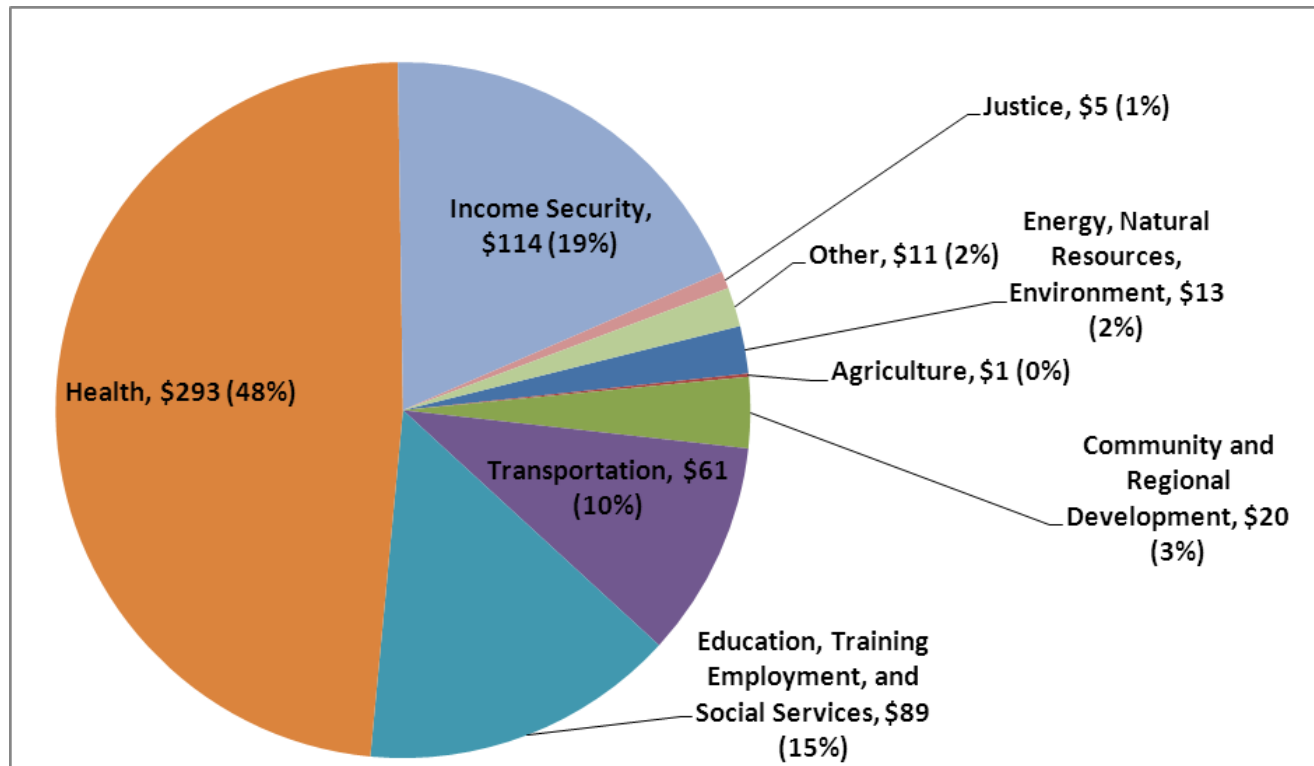


# Payments to individuals have come to dominate federal grants

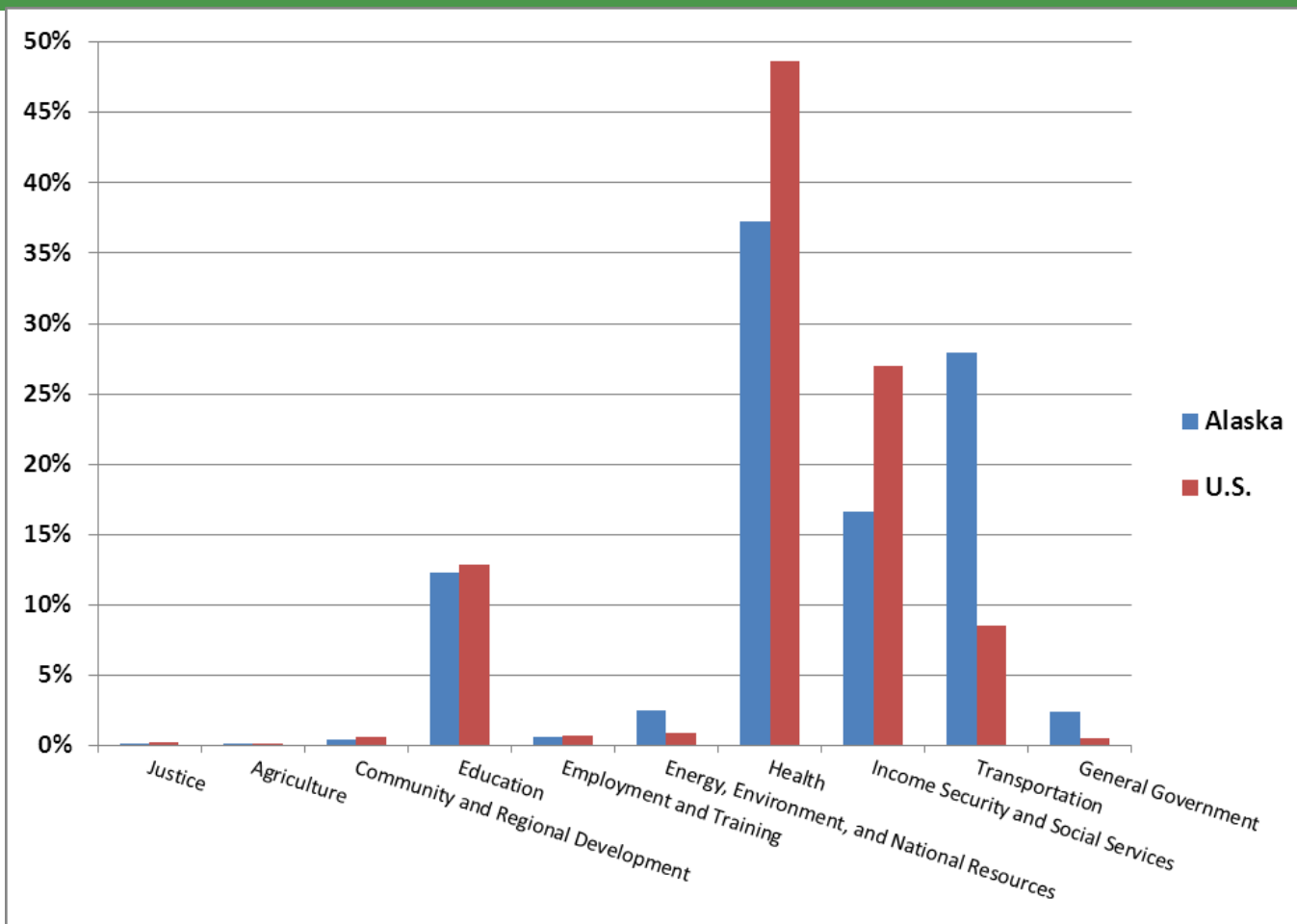


# What programs areas are supported by state/local grants?

**Federal Outlays to State and Local Governments, FY 2011**  
(**\$ in Billions, % of Total**)



# Federal grants going to Alaska: share of funding by function



## Federal grants going to Alaska: per capita, 2011

Major Category	Per Capita	Rank
Medicaid	\$1,041	10
Other Mandatory	659	5
Discretionary	1,812	1
<b>Total</b>	<b>3,512</b>	<b>3</b>

# What influences grant allocations?

- Medicaid redistributes income from:
  - richer to poorer states
  - smaller to larger programs
  - cheaper to more expensive programs
  - Alaska receives \$1,041 per capita in federal Medicaid funding and ranks #10; FMAP = 50.00%
- Many programs allocate funds based on need
  - Alaska is a relatively wealthy state (high per capita income and low poverty rate)
- Alaska benefits from grant programs with small-state minimums



# What influences grant allocations?

- Demographics
  - 26% of Alaska's population is under 18 (above average) and 8% is 65 or older (below average)
  - Alaska has experienced a slight increase in its share of total population since 2000
- Federal facilities/land
  - Large federal presence in Alaska
  - Alaska benefits from programs with formulas based on receipts from federal land
    - BLM's Payments in Lieu of Taxes, Mineral Leasing Payments, Impact Aid

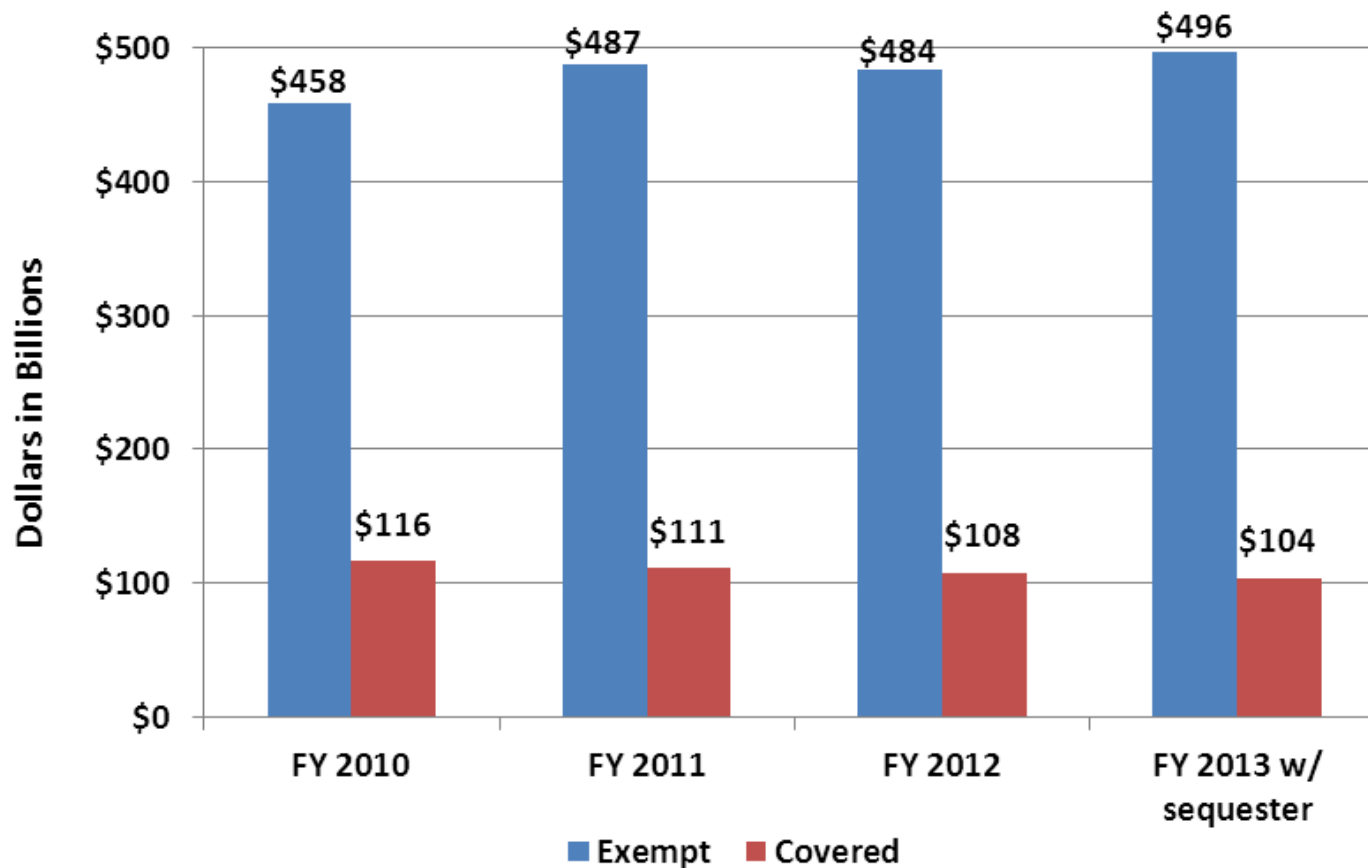




# What's the outlook in FY 2013 and beyond?

- Budget Control Act (BCA) sequester
- FY 2013 appropriations
  - Continuing Resolution (CR) expires 3/27/13
  - State/local programs disproportionately targeted for spending cuts since 2010
- Comprehensive deficit reduction
  - Medicaid reform; cost-shift to states?
  - Further cuts in discretionary spending
  - Trade-off: more certainty, less funding

# Discretionary spending has been on the decline



# The BCA and Looming Sequester

- Sequester scheduled to occur on March 1, 2013
- \$984 billion in cuts required over FYs 2013-2021 (roughly \$109 billion per year, half from defense and half from nondefense)
  - “Fix” reduced FY 2013 cuts from \$109b to \$85b
- Many mandatory and a few discretionary programs are exempt (special rule for special/trust funds)
- ATB in FY 2013, different process for FY 2014+



# FAQs on the BCA Sequester

## 1) What is the ATB percentage cut?

- FFIS estimates -5.9% for nondefense discretionary (was -8.2%) and -5.7% for nondefense mandatory (was -7.6%)
- Exact percentage won't be known until March 2013

## 2) How will individual programs be affected?

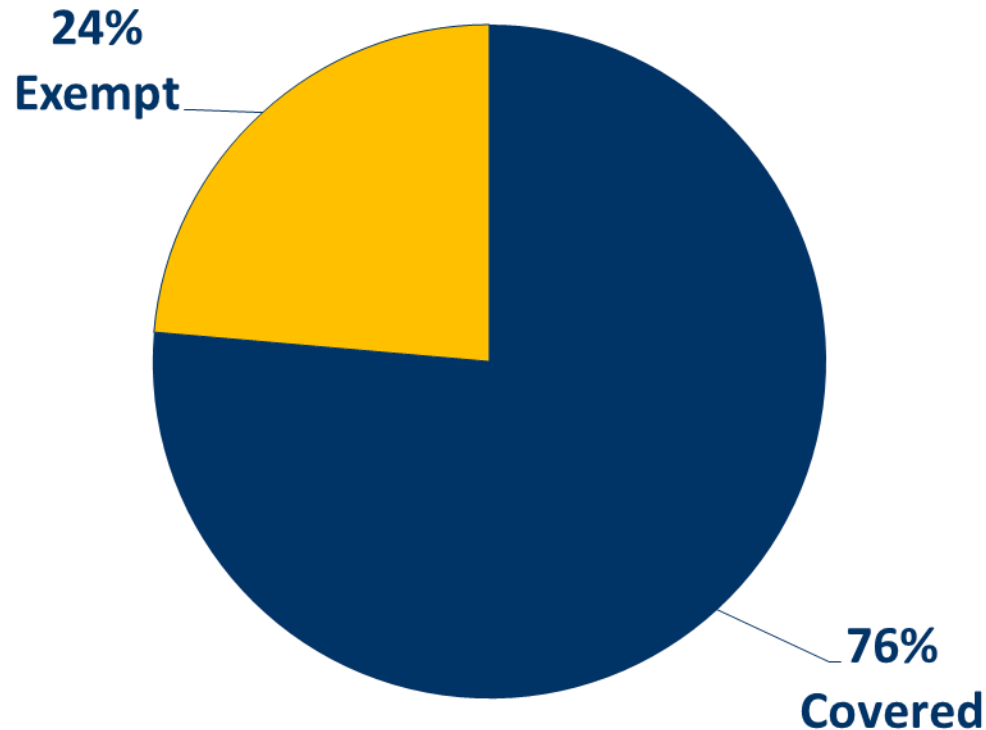
- ATB cut applied to FY 2013 funding in place on 3/1/13 (CR?)
- Cuts must be applied to each program, project, and activity
- OMB has authority to apply special rules, exemptions

## 3) What is the timing of the cuts?

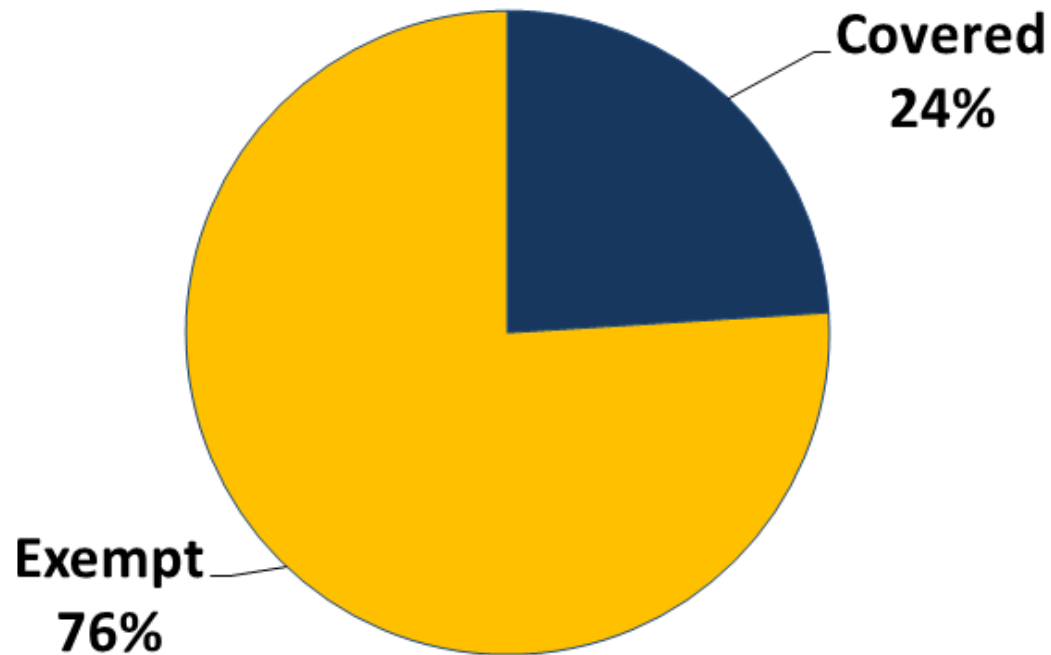
- Agencies have some discretion
- Reflected in grant awards issued after March 1, 2013



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



# Most Alaska grant funding is exempt



# Some program areas in Alaska are more affected than others

Budget Function	% of Funding Covered by Sequester
Agriculture	100%
Employment and Training	100%
Community Development	100%
Justice	100%
Energy, Env., Natural Resources	100%
General Gov't	100%
Education	87%
Income Security and Social Services	26%
Health	6%
Transportation	3%



## Among the 10 largest grants in Alaska, 7 are totally exempt

Program (dollars in millions)	FY 2013 CR
Medicaid – Vendor (E)	\$837
National Highway Performance (E/C)	272
Airport Improvement Program (E)	220
Food Stamp Benefits (E)	172
Impact Aid – Basic Support Payments (C)	143
FHWA – Surface Transportation (E)	125
Medicaid Admin. (E)	71
Temporary Assistance to Needy Families, TANF (E)	45
Pell Grants (E)	43
Consolidated Health Centers (C)	40





# The largest nonexempt grants in Alaska mostly benefit local governments

Program (dollars in millions)	FY 2013 CR
Impact Aid – Basic Support Payments	\$143
Consolidated Health Centers	40
Title I – Local Education Agencies (LEAs)	37
Special Education Basic State Grant	37
Unemployment Insurance – State Admin.	27
BLM Payments in Lieu of Taxes	27
WIC Supplemental Feeding Program	25
Mineral Leasing	23
Fish & Wildlife – Fish Restoration	18
Fish & Wildlife – Wildlife Restoration	15

# Potential impact of amended sequester in Alaska

Program (dollars in millions)	FY 2012	FY 2013 CR	FY 2013 CR w/sequester	Difference FY 2013 v 2012
Nondefense Grants in FFIS Database:				
Covered Programs	\$637	\$656	\$619	-\$18
Exempt Programs	1,961	2,039	2,039	77
<b>All Programs</b>	<b>2,598</b>	<b>2,695</b>	<b>2,658</b>	<b>59</b>

# 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

## So what's the bottom line?

- The yawning gap between federal revenues and spending persists
- Tax expenditures and Medicare/Medicaid 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.

# The End: Questions?



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