

The Federal Budget and Alaska

Alaska Legislature: Senate
Finance Committee
Briefing

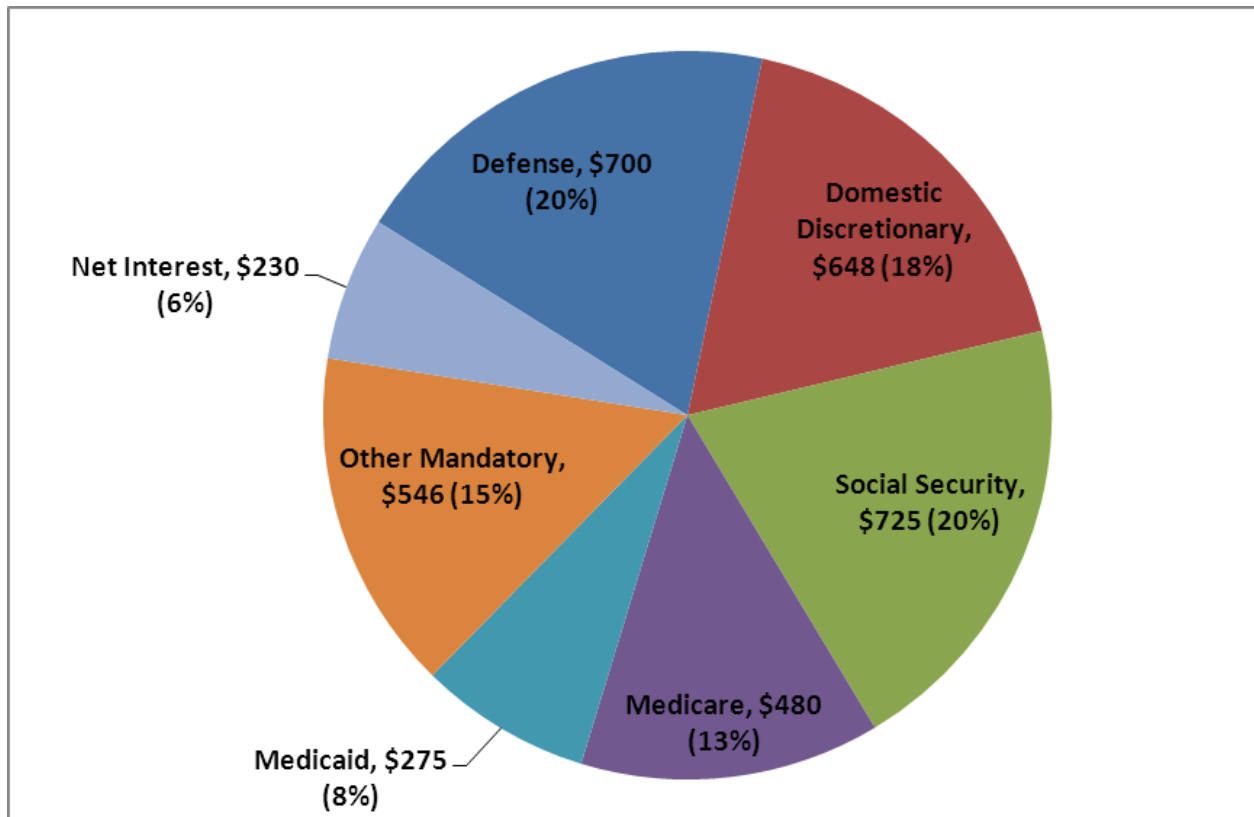
January 22, 2013



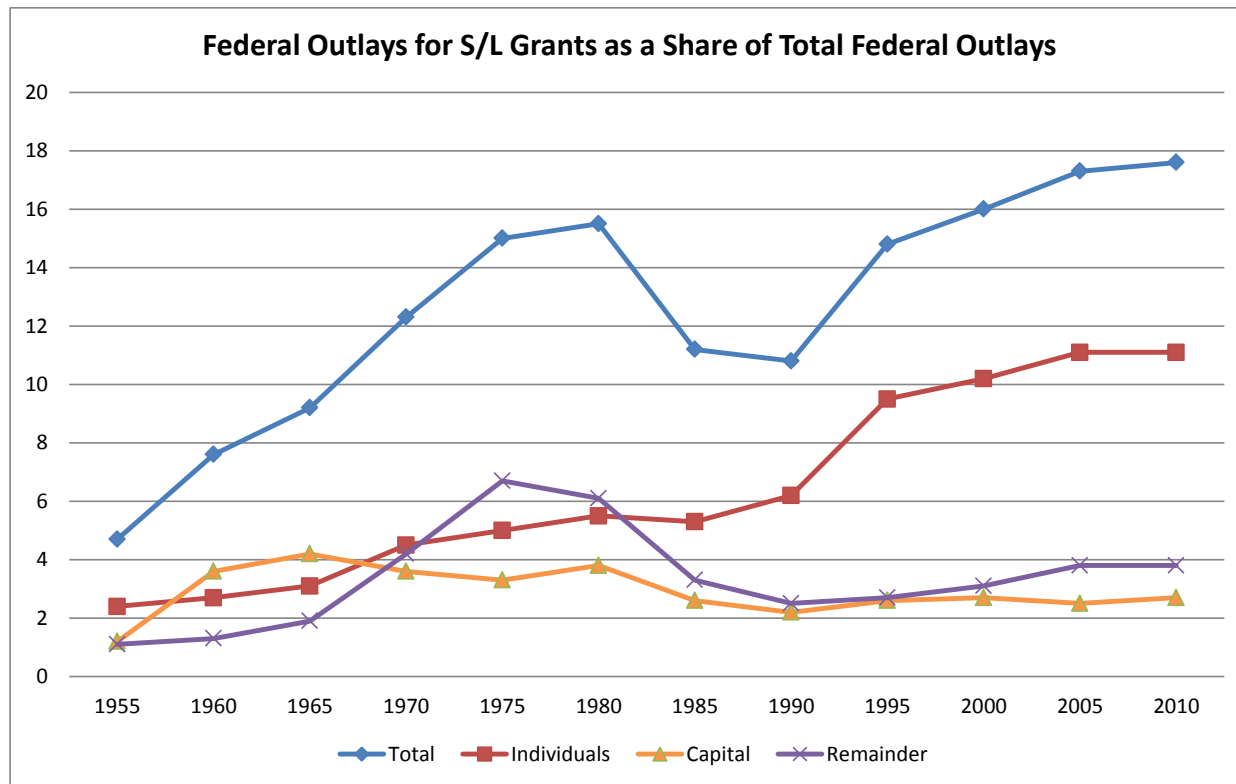
Federal Funds
Information for States
www.ffis.org

Where the money goes: pieces of the federal budget pie

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

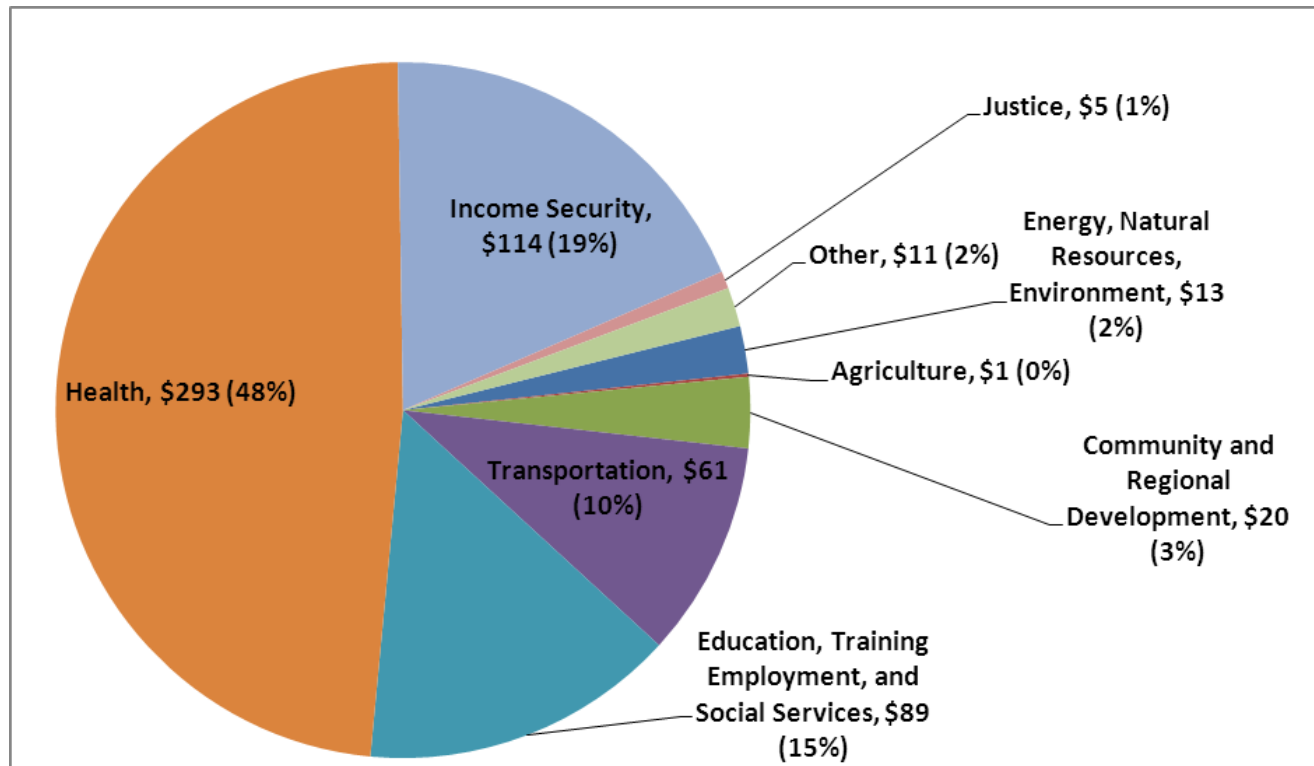


Payments for individuals have come to dominate federal grants

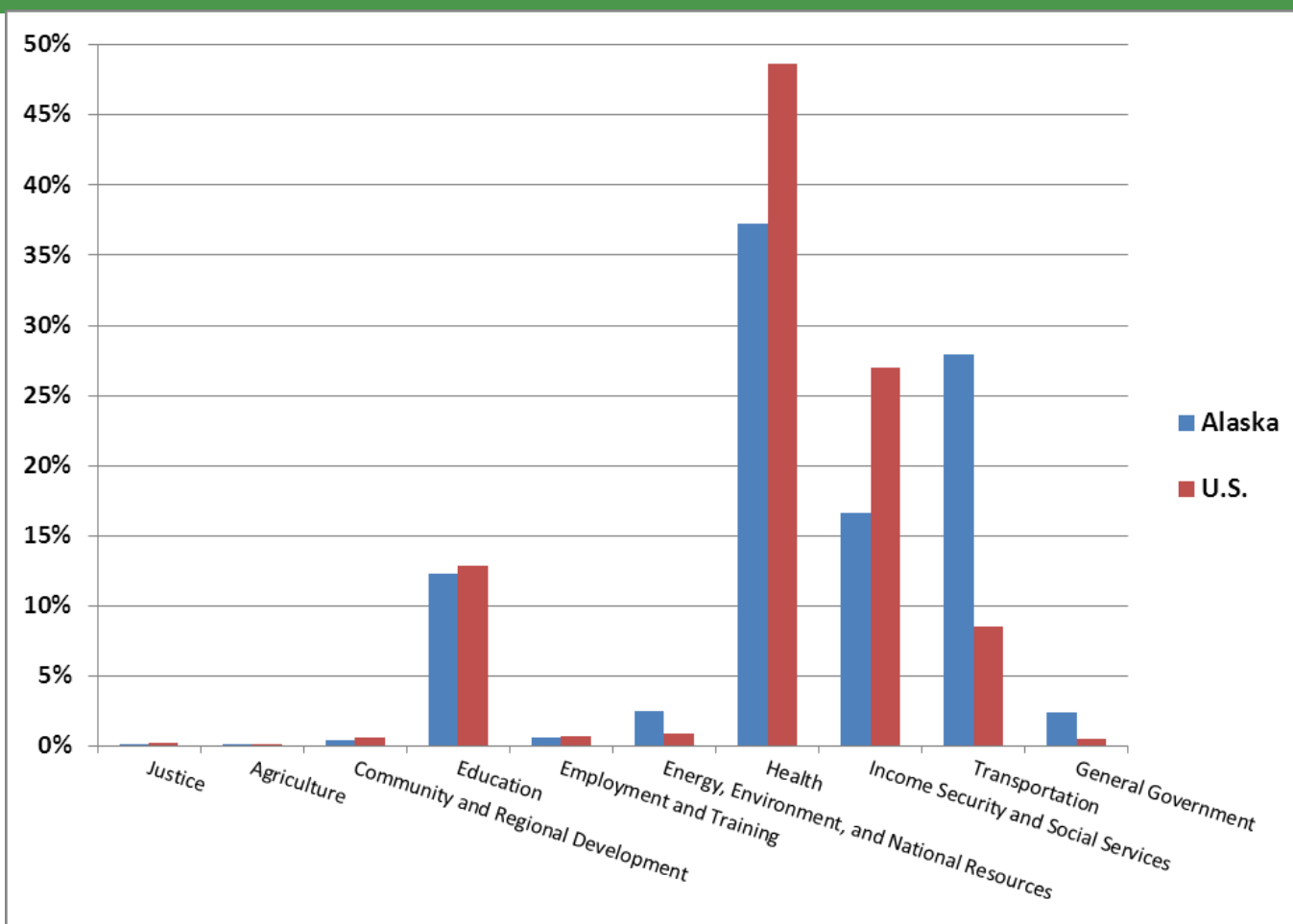


What programs areas are supported by state/local grants?

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
Total	3,512	3

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?

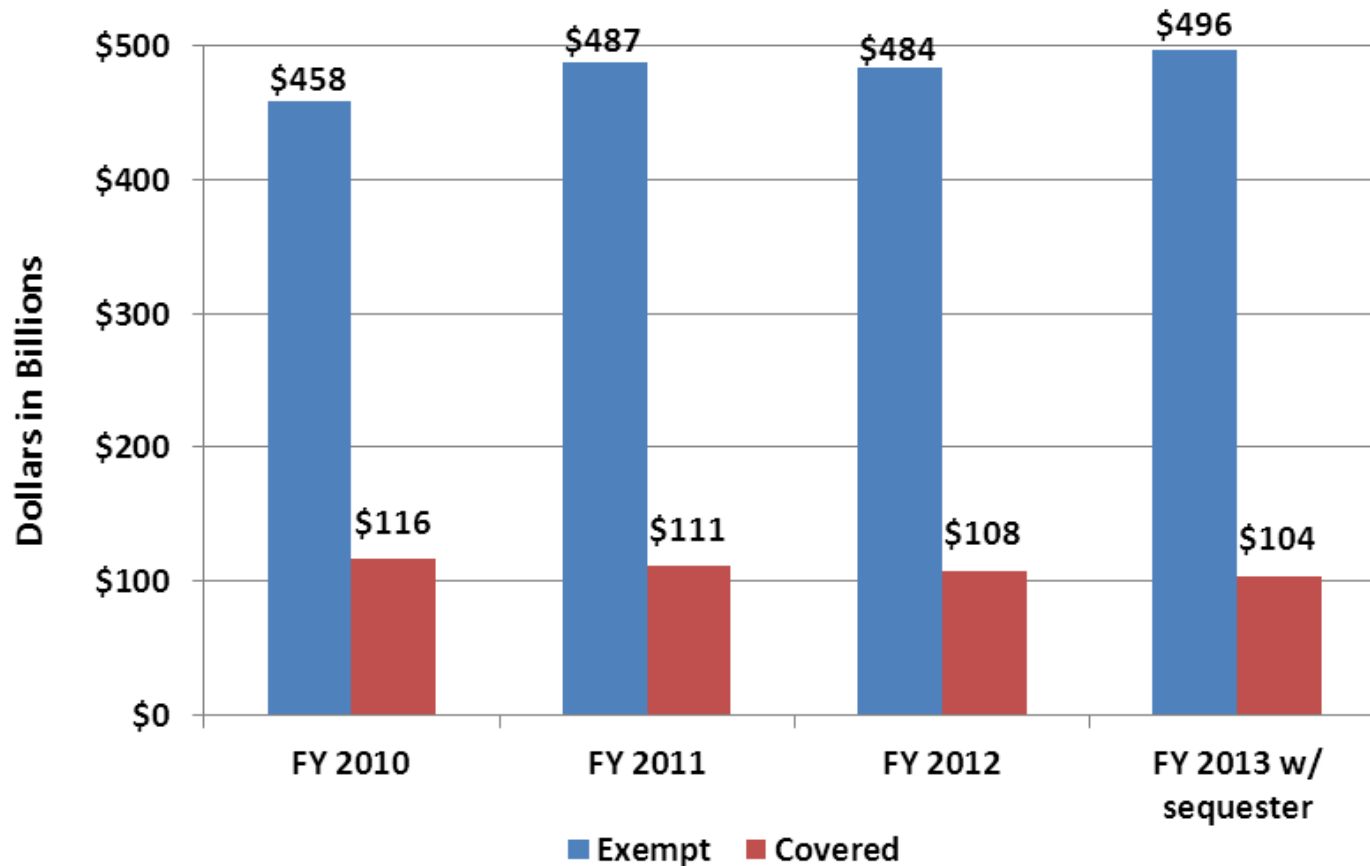
- Demographics
 - 26% of Alaska's population is under 18 (above average) and 8% is 65 or older (below average)
 - Alaska has experienced a slight increase in its share of total population since 2000
- Federal facilities/land
 - Large federal presence in Alaska
 - Alaska benefits from programs with formulas 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?

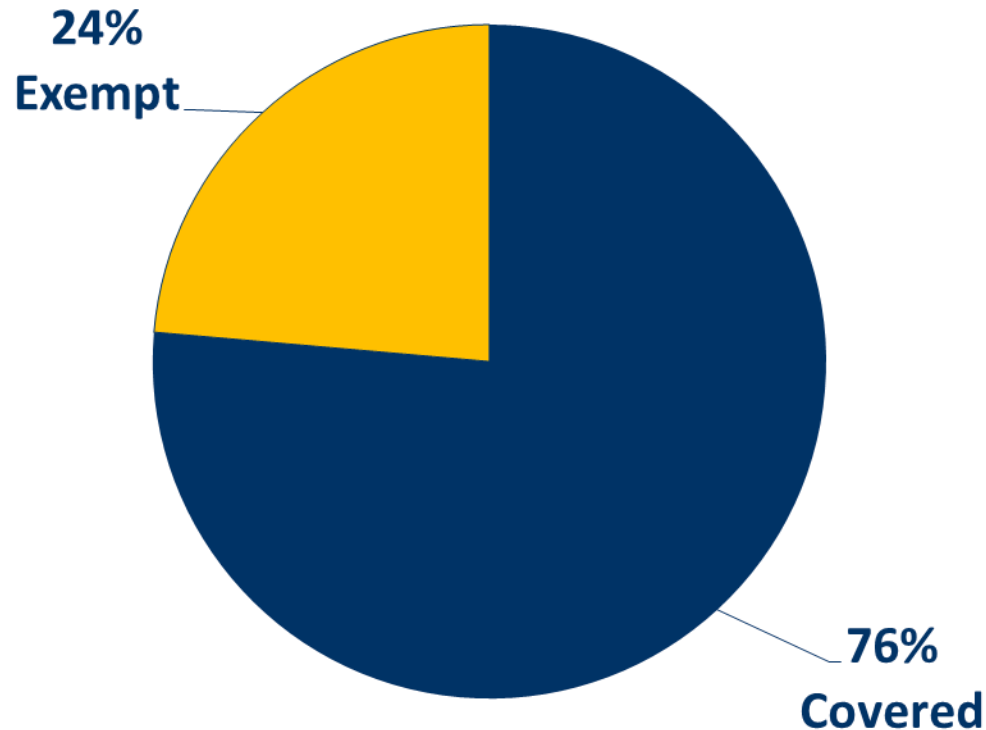
- ATB cut applied to FY 2013 funding in place on 3/1/13 (CR?)
- Cuts must be applied to each program, project, and activity
- OMB has authority to apply special rules, exemptions

3) What is the timing of the cuts?

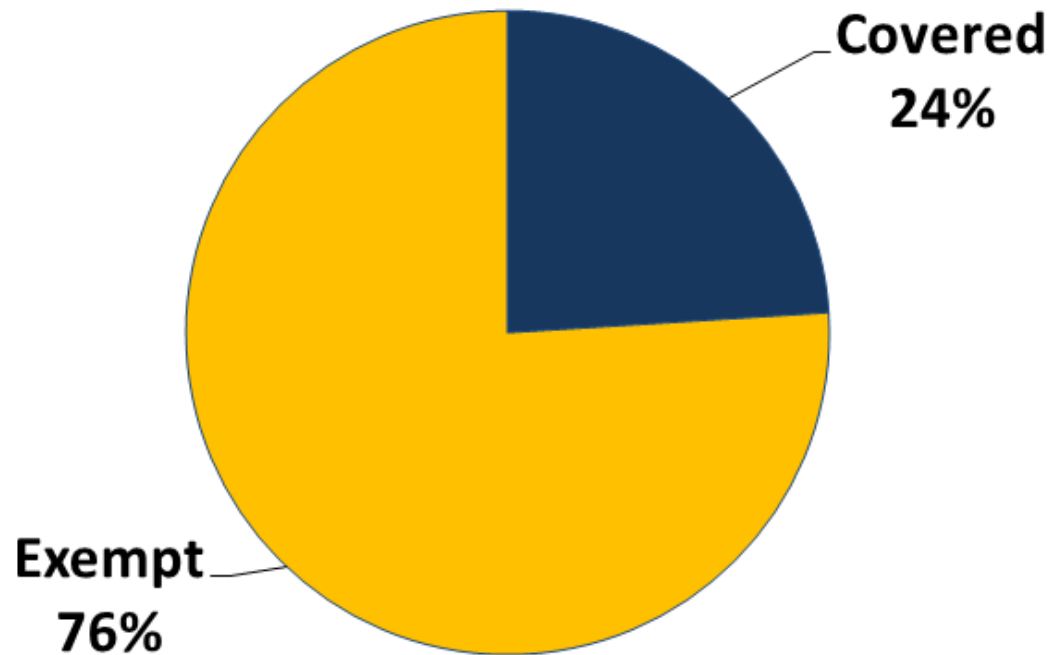
- Agencies have some discretion
- Reflected in grant awards issued after March 1, 2013



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
All Programs	2,598	2,695	2,658	59

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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