Overview

- Background on federal grants
- A federal budget update
- A few reality checks
Grants are a growing share of state spending

Source: NASBO State Expenditure Report
Because…

Medicaid vs. Non-Medicaid Grant Spending
($ in billions)

Source: FFIS grants database
The largest grants dominate total funding

The 10 Largest Federal Grants, FY 2018

- Medicaid: $441.4
- Highways: $43.3
- Section 8 Housing: $21.7
- CHIP: $17.3
- TANF: $16.5
- Title I: $15.8
- School Lunch: $12.8
- Special Education: $12.3
- Transit: $11.8
- Head Start: $9.6

Source: OMB, FY 2020 Budget
Lots of discretionary programs
Lots of mandatory money

Distribution of Grants by Type, FY 2017
- 209 Programs
  - Discretionary, 162 (77.5%)
  - Mandatory, 47 (22.5%)

Distribution of Grants by Funding, FY 2017
- $645 Billion
  - Discretionary, $153 billion (24%)
  - Mandatory, $492 billion (76%)
Lots of competitive programs
Lots of formula money

Formula Grants as a Share of Total Federal Grants and Funding to State and Local Governments, FY 2017

Source: FFIS Grants Database, OMB Analytical Perspectives, FY 2019
How states stack up

Per Capita Federal Spending on FFIS-Track ed Grants, FY 2018

* Expanded Medicaid by FY 2018
But why? How the money flows

- Geography
- Income and poverty
- Demographics
- Medicaid
- Federal funding per capita
- Relative population
Federal budget update

Federal Outlays in FY 2018
($ in billions)

- Defense $623
- Other Mandatory $569
- Social Security $982
- Domestic Discretionary $639
- Medicaid $389
- Medicare $582
- Net Interest $325

Other mandatory includes:
- Federal retirement
- UI
- Nutrition
- TANF
- SSI
- EITC

Source: FY 2020 budget, Table S-3
Living with(out) the BCA of 2011

American Taxpayer Relief Act (January 2013)

Bipartisan Budget Act (December 2013)

Bipartisan Budget Act of 2015

Bipartisan Budget Act of 2018
BBA 2018 led to increases

Change in Discretionary Appropriations for Major Grants, FY 2017 to FY 2019

- Energy and EPA: 25%
- HHS: 18%
- HUD: 12%
- Commerce: 12%
- DOT: 11%
- Total Discretionary: 11%
- ED: 6%
- Justice: 5%
- Homeland Security: 2%
- Labor: -2%
- USDA: -4%

Source: FFIS's Jim Martin Table
The challenge of the BCA

![Chart showing current-law and proposed discretionary spending for FY 2019 Final, FY 2020 BCA, FY 2020 President, and FY 2020 House.]

Source: FY 2020 Budget, Table S-7; H.R. 2021
The challenge of the BCA

Recommended Change in Discretionary Appropriations for Major Grants, FY 2019 to FY 2020

- Total Discretionary: -13% for President, 6% for House
- Agriculture: -9% for President
- Commerce: -16% for President, 9% for House
- ED: -37% for President, 10% for House
- Energy and EPA: -13% for President, 14% for House
- HHS: -30% for President, 10% for House
- Homeland Security: -19% for President, 7% for House
- HUD: -35% for President, 8% for House
- Justice: -1% for President, 5% for House
- Labor: -1% for President, 2% for House
- Transportation

Source: FFIS’s Jim Martin Table
The challenge of the BCA

<table>
<thead>
<tr>
<th>Appropriations Subcommittee</th>
<th>Status</th>
<th>House</th>
<th>Senate</th>
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</thead>
<tbody>
<tr>
<td>Defense</td>
<td>P</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy and Water</td>
<td>P</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labor/HHS/Education</td>
<td>P</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State/Foreign Operations</td>
<td>P</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>P</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commerce/Justice/Science</td>
<td>P</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interior and Environment</td>
<td>P</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Military Construction/Veterans</td>
<td>P</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation/HUD</td>
<td>P</td>
<td></td>
<td></td>
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<tr>
<td>Legislative Branch</td>
<td>C</td>
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<tr>
<td>Financial Services/General Gov.</td>
<td>P</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Homeland Security</td>
<td>C</td>
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</tr>
</tbody>
</table>

P=Full chamber; C=Committee; S=Subcommittee
BBA 2019 to the rescue

- Raises discretionary caps in FY 2020 and FY 2021
- Extends mandatory sequestration to FY 2029
- Suspends debt limit until July 2021
- Allows cap adjustment for 2020 Census
- Differs from House-passed levels
Themes in the four BBAs

Two years each (FYs 14-15, 16-17, 18-19, 20-21)

Raised discretionary caps

Extended mandatory sequestration

Three suspended the debt limit

Most addressed various and sundry other items
Mandatory sequestration

• Now through FY 2029
• ATB cuts (-6.2% FY 2019, -5.9% FY 2020)
• Most programs exempt (or receive sequestered funds in following year)
• Covered programs include:

- Social Services Block Grant
- Promoting Safe and Stable Families
- Prevention and Public Health Fund
- Vocational Rehabilitation
- Portion of highway funding
- Housing Trust Fund
- Abandoned Mines
BBA 2019 by the numbers

Discretionary Spending in BBA 2019
($ in billions)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Non-Defense Cap</th>
<th>Non-Defense OCO*</th>
<th>Defense Cap</th>
<th>Defense OCO*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2019 Final</td>
<td>$597</td>
<td>$8</td>
<td>$647</td>
<td>$69</td>
<td>$1,321</td>
</tr>
<tr>
<td>FY 2020 BBA</td>
<td>$622</td>
<td>$8</td>
<td>$667</td>
<td>$72</td>
<td>$1,368</td>
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<tr>
<td>FY 2021 BBA</td>
<td>$627</td>
<td>$8</td>
<td>$672</td>
<td>$69</td>
<td>$1,375</td>
</tr>
</tbody>
</table>

* OCO: Overseas Contingency Operations
Issues on our radar

**Funding Expirations**
- Several HHS (9/30/19)
- NFIP (9/30/19)
- Secure Rural Schools (9/30/18)

**Health**
- DSH cuts
- ACA health insurer tax
- CHIP dip
- Opioids/mental health

**Other**
- Election security
- Infrastructure
- Disaster assistance
- Census

**Fiscal Relief**
- FYs 2003-04: Medicaid and flexible assistance
- Great Recession: ARRA
## HHS 2019 funding expirations

<table>
<thead>
<tr>
<th>Program</th>
<th>FY 2019 ($ in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Temporary Assistance for Needy Families (TANF)/Related Programs</strong></td>
<td>$20,208</td>
</tr>
<tr>
<td>TANF block grant</td>
<td>16,512</td>
</tr>
<tr>
<td>Mandatory/matching portion of CCDF</td>
<td>2,917</td>
</tr>
<tr>
<td>TANF contingency funds</td>
<td>608</td>
</tr>
<tr>
<td>Healthy Marriage and Responsible Fatherhood</td>
<td>148</td>
</tr>
<tr>
<td>TANF matching grants to territories</td>
<td>15</td>
</tr>
<tr>
<td>Grants to tribal work programs</td>
<td>8</td>
</tr>
</tbody>
</table>

| Health Programs                                                        | $4,989                  |
| Community Health Centers (mandatory funding)                           | 4,000                   |
| National Health Service Corps                                          | 310                     |
| Money Follows the Person Demonstration                                | 255                     |
| Teaching Health Center Graduate Medical Education                      | 127                     |
| Health Profession Opportunity Grants                                  | 85                      |
| Personal Responsibility Education Program                              | 75                      |
| Sexual Risk Avoidance Education                                        | 75                      |
| Medicare Enrollment Assistance Program                                 | 38                      |
| Pregnancy Assistance Fund                                              | 25                      |
The CHIP dip looms large
More on the CHIP dip

**Illustrative Impact of Reduction in CHIP FMAP**

($ in billions)

<table>
<thead>
<tr>
<th></th>
<th>Federal</th>
<th>State</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2019 Current Law</td>
<td>$17.4</td>
<td>$1.4</td>
</tr>
<tr>
<td>Maintain Federal</td>
<td>$17.4</td>
<td>$7.6</td>
</tr>
<tr>
<td>Maintain Total</td>
<td>$13.2</td>
<td>$5.7</td>
</tr>
</tbody>
</table>
What’s in play

FY 2020 Appropriations
- BBA 2019 sets topline numbers
- Debt limit suspended until after 2020 elections
- The devil is always in the details

And?
- Lots of legislative activity
- Little action/agreement between chambers, branches
- Everything linked to the election cycle

Risks to States
- Budget deficit re-emerges as a political hot potato
- Federal shutdowns less unusual
- Federal fiscal capacity in a downturn
Reality check #1

**Federal Budget Deficits and Projections**

($) in billions

<table>
<thead>
<tr>
<th>Year</th>
<th>Deficit</th>
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</thead>
<tbody>
<tr>
<td>2010</td>
<td>-$1,294</td>
</tr>
<tr>
<td>2015</td>
<td>-$439</td>
</tr>
<tr>
<td>2020</td>
<td>-$1,008</td>
</tr>
<tr>
<td>2025</td>
<td>-$1,284</td>
</tr>
</tbody>
</table>

Source: CBO, August 2019
Reality check #2

CBO's Projected Outlays
($ in billions)

Source: CBO, August 2019
Questions?

Check for updates at [www.ffis.org](http://www.ffis.org)

[mhoward@ffis.org](mailto:mhoward@ffis.org)
202-624-5848