

# A Year (or More) of Worry

NCSL Fiscal Analysts  
Seminar

Seattle, WA

October 20, 2014



**Federal Funds  
Information for States**

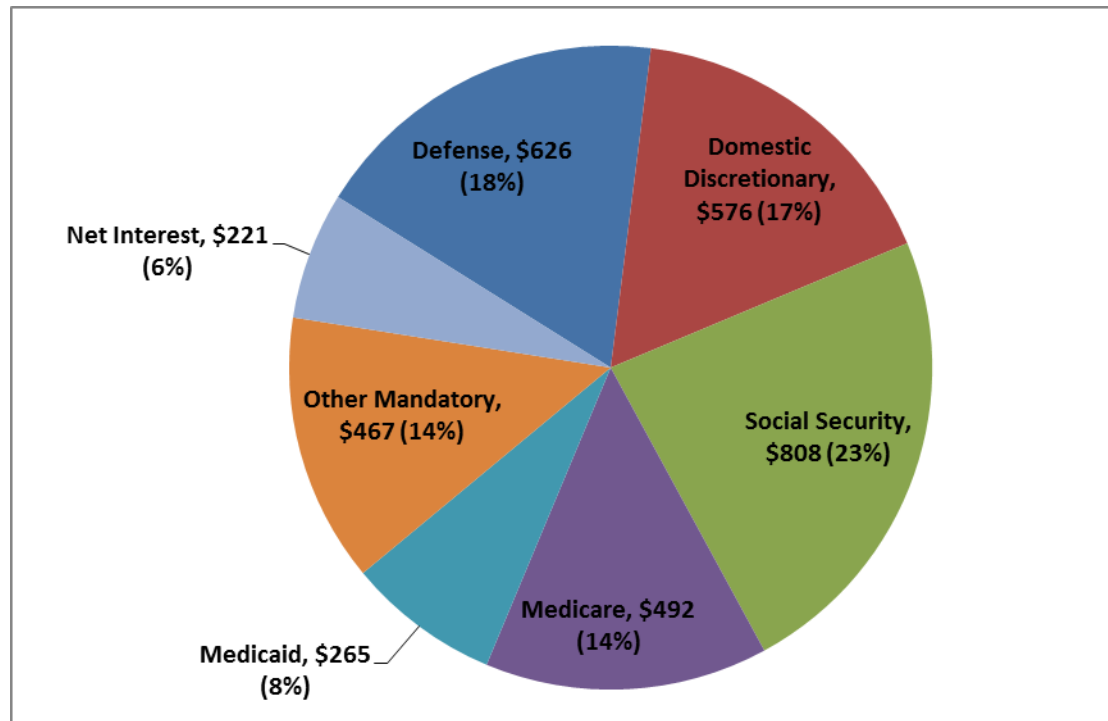
**[www.ffis.org](http://www.ffis.org)**

# Things to worry about: the known unknowns

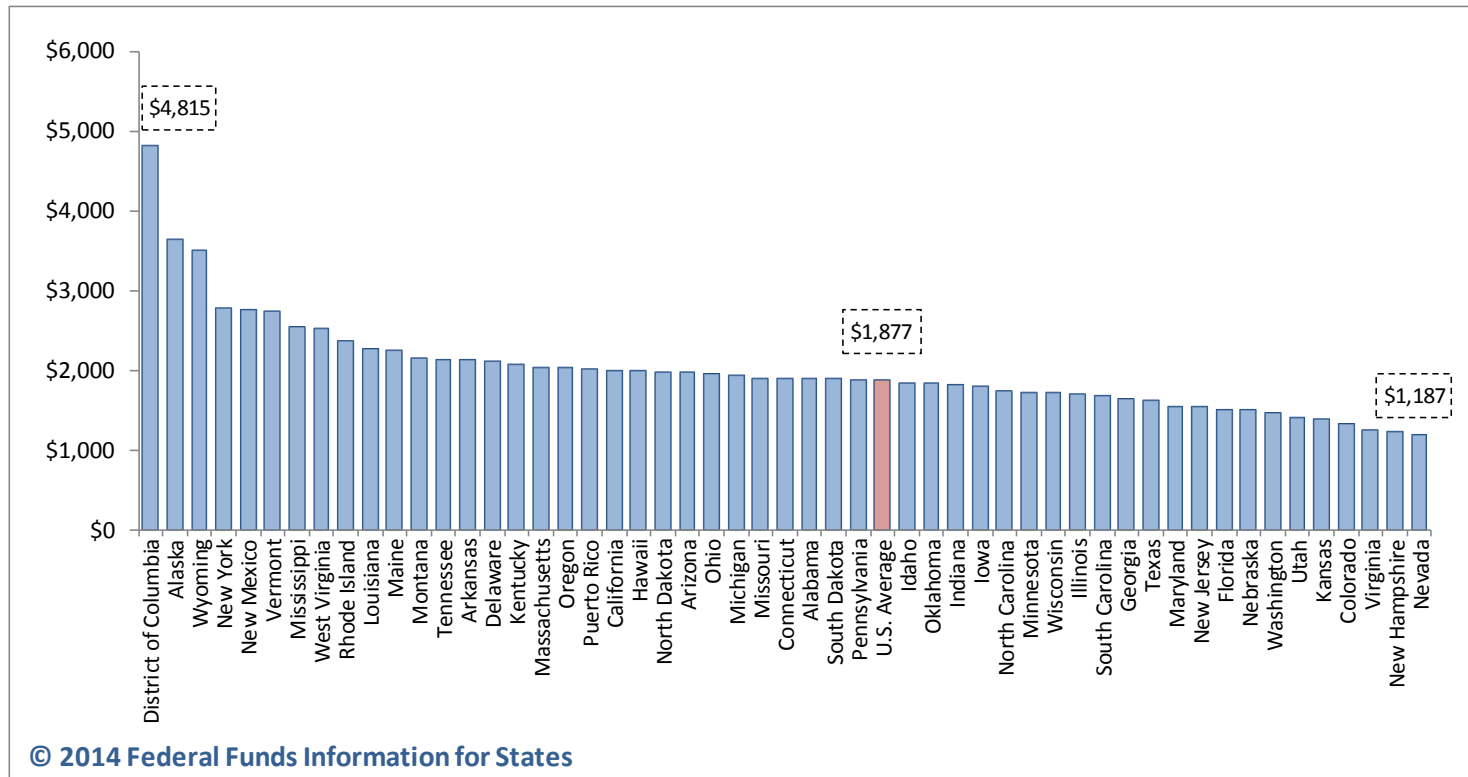
- Deadlines/expiring programs
- FY 2015
- The BCA
- Post-FY 2015
- Debt limit
- Tax reform

# But first, the basics

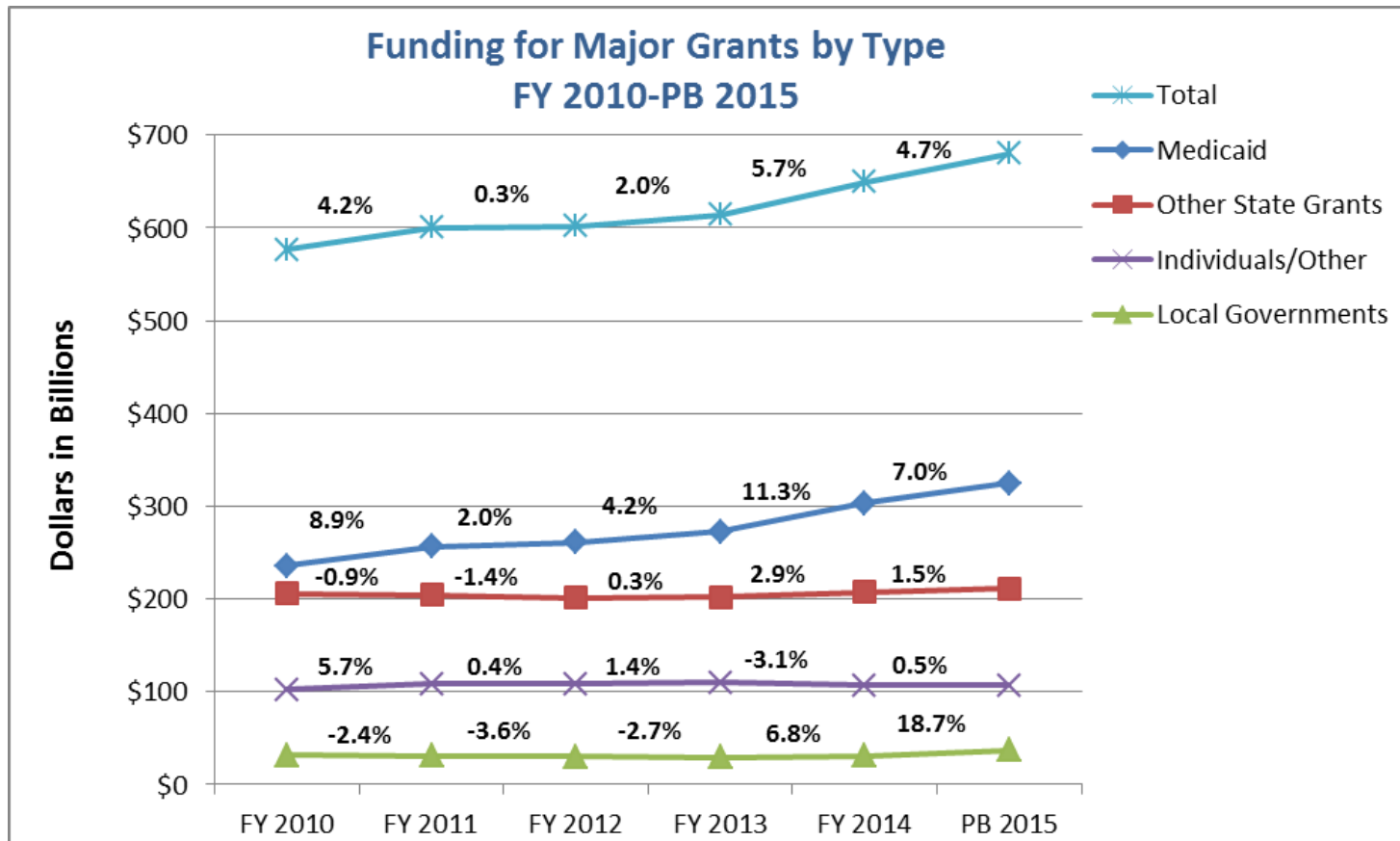
**Composition of Federal Outlays in FY 2013**  
(\$ in Billions, % of Total)



# Per Capita Federal Spending on Selected Grants, FY 2013



# Recent trends in grant funding



Source: FFIS Grants Database



# Recent and upcoming deadlines

**January 1,  
2014**

- Tax extenders expired (including deduction for state/local sales taxes)

**October 1,  
2014**

- Mandatory sequestration (-7.3%)
- PILT, Premium Review, College Access, Family Connection grants, plus others expired

**December  
11, 2014**

- CR expires
- TANF and related programs expire
- Internet tax moratorium expires

# Recent and upcoming deadlines

**January 1,  
2015**

- Medicaid primary care increase expires
- No new exchange grants

**March 15,  
2015**

- Debt limit reinstated

**April 1,  
2015**

- QI, TMA, Home Visiting programs and others expire

# Recent and upcoming deadlines

**June 1,  
2015**

- Highway Trust Fund estimated insolvency date
- Surface transportation and boating safety programs expire

**July 1, 2015**

- Export-Import Bank expires

**October 1,  
2015**

- Many ACA programs expire
- No new CHIP allotments
- Some child nutrition programs expire
- Airport Improvement Program expires

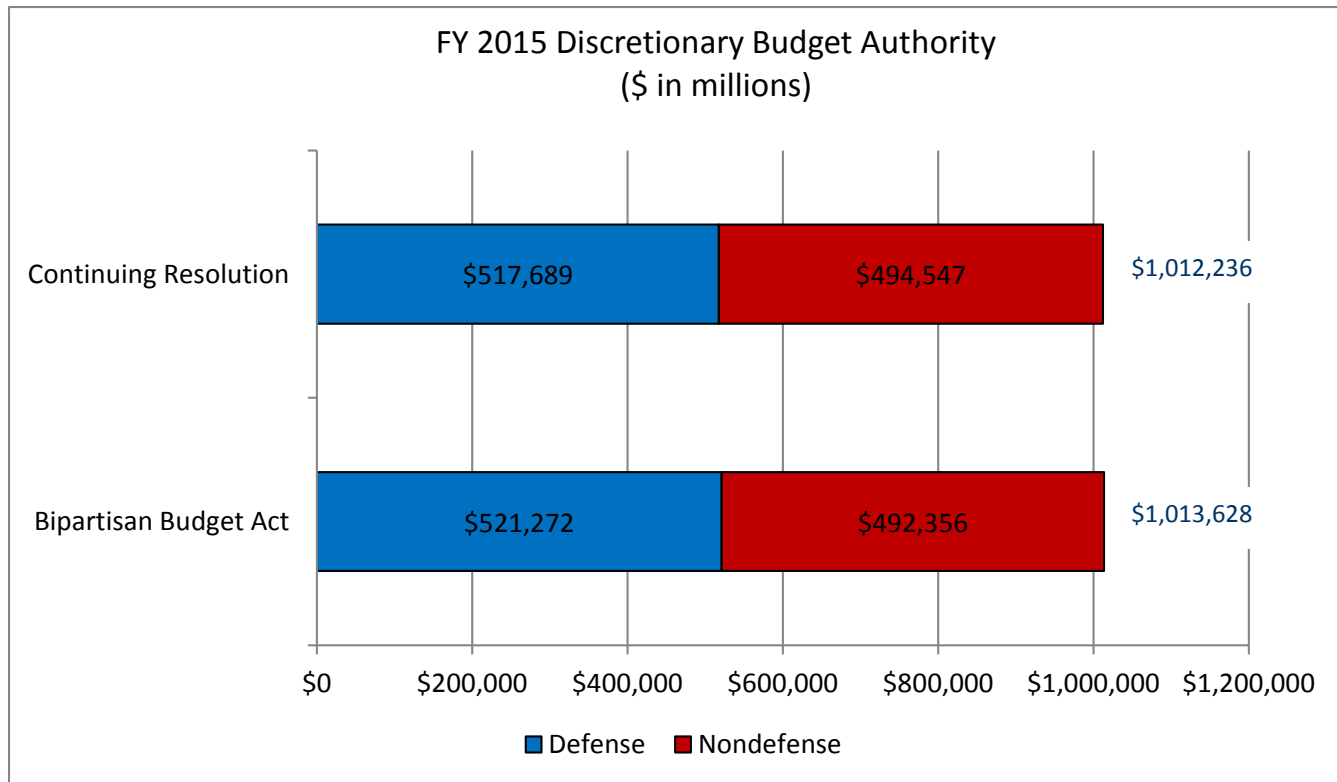


# FY 2015

- December 11, 2014
  - CR expires
    - Uses FY 2014 caps and applies ATB cut (-0.0554%)
    - New funding for Ebola, commodity assistance
    - Per CBO, violates BBA split (OMB disagrees)
  - TANF and related programs expire
  - Internet tax moratorium expires
  - Election will shed light on how this plays out: another CR or an omnibus budget bill?



# FY 2015: CR uses last year's cap (\$1.4b less than allowed)



# FY 2015: In lame-duck session, an omnibus or another CR?

CR Compared to FY 2014 and FY 2015 Proposals (budget authority in billions)				
Appropriations Subcommittee	FY 2014	FY 2015		
	Enacted	CR	House	Senate
Agriculture	\$20.9	\$20.8	\$20.9	\$20.6
Commerce, Justice, Science	51.9	49.1	51.2	51.2
Defense	486.9	487.4	490.9	489.6
Energy and Water Development	34.1	33.9	34.0	34.2
Financial Services and General Government	21.9	21.9	21.3	22.5
Homeland Security	39.3	39.4	39.2	39.0
Interior, Environment	30.1	29.5	30.2	29.5
Labor, HHS, Education	156.8	156.8	155.7	156.8
Legislative Branch	4.3	4.3	4.3	4.3
Military Construction, VA	73.3	72.9	71.5	71.9
State, Foreign Operations	42.5	42.3	42.4	39.7
Transportation, HUD	50.9	54.0	52.0	54.4
<b>Total</b>	<b>\$1,012</b>	<b>\$1,012</b>	<b>\$1,014</b>	<b>\$1,014</b>

\*Table excludes funding for Overseas Contingency Operations, disasters, and program integrity.

Source: Committee for a Responsible Federal Budget



# The BCA

- Discretionary sequestration persists in form of lower caps
- Mandatory sequestration still occurs
  - Bipartisan Budget Act (BBA) extended it to FY 2023
  - President proposed repeal; won't happen
  - ATB percentages applied to current-law levels

	Defense	Nondefense
FY 2014	-9.8%	-7.2%
FY 2015	-9.5%	-7.3%



# Post-FY 2015

## Sequestration and Discretionary Caps FYs 2013-2021 (dollars in billions)

	2013 1/	2014 2/	2015 2/	2016	2017	2018	2019	2020	2021
<b>Nondefense caps</b>	<b>\$490.9</b>	<b>\$506.0</b>	<b>\$520.0</b>	<b>\$530.0</b>	<b>\$541.0</b>	<b>\$553.0</b>	<b>\$566.0</b>	<b>\$578.0</b>	<b>\$590.0</b>
Sequestration: nondefense discretionary	-26.4	-14.2	-27.6	-36.5	-36.0	-35.4	-34.5	-33.0	-32.2
<b>Subtotal</b>	<b>464.5</b>	<b>491.8</b>	<b>492.4</b>	<b>493.5</b>	<b>505.0</b>	<b>517.6</b>	<b>531.5</b>	<b>545.0</b>	<b>557.8</b>
Change from previous year (\$)	NA	27.3	0.6	1.1	11.5	12.6	13.9	13.5	12.8
Change from previous year (%)	NA	5.9%	0.1%	0.2%	2.3%	2.5%	2.7%	2.5%	2.3%
<b>Nondefense, mandatory sequestration</b>									
Sequestration: 2% Medicare	-11.3	-11.6	-12.3	-12.8	-13.6	-14.7	-15.7	-16.9	-18.2
Sequestration: other nonexempt mandatory	-5.5	-6.0	-5.7	-5.4	-5.0	-4.6	-4.5	-4.8	-4.2
<b>Defense caps</b>	<b>552.1</b>	<b>552.0</b>	<b>566.0</b>	<b>577.0</b>	<b>590.0</b>	<b>603.0</b>	<b>616.0</b>	<b>630.0</b>	<b>644.0</b>
Sequestration	-34.3	-31.5	-44.7	-54.6	-54.7	-54.7	-54.7	-54.7	-54.7
<b>Subtotal</b>	<b>517.8</b>	<b>520.5</b>	<b>521.3</b>	<b>522.4</b>	<b>535.3</b>	<b>548.3</b>	<b>561.3</b>	<b>575.3</b>	<b>589.3</b>
Change from previous year (\$)	NA	2.7	0.8	1.1	12.9	13.0	13.0	14.0	14.0
Change from previous year (%)	NA	0.5%	0.2%	0.2%	2.5%	2.4%	2.4%	2.5%	2.4%
<b>Total discretionary spending</b>	<b>\$982.3</b>	<b>\$1,012.2</b>	<b>\$1,013.6</b>	<b>\$1,015.9</b>	<b>\$1,040.3</b>	<b>\$1,065.9</b>	<b>\$1,092.8</b>	<b>\$1,120.3</b>	<b>\$1,147.1</b>
Change from previous year (\$)	NA	29.9	1.4	2.3	24.4	25.6	26.9	27.5	26.8
Change from previous year (%)	NA	3.0%	0.1%	0.2%	2.4%	2.5%	2.5%	2.5%	2.4%

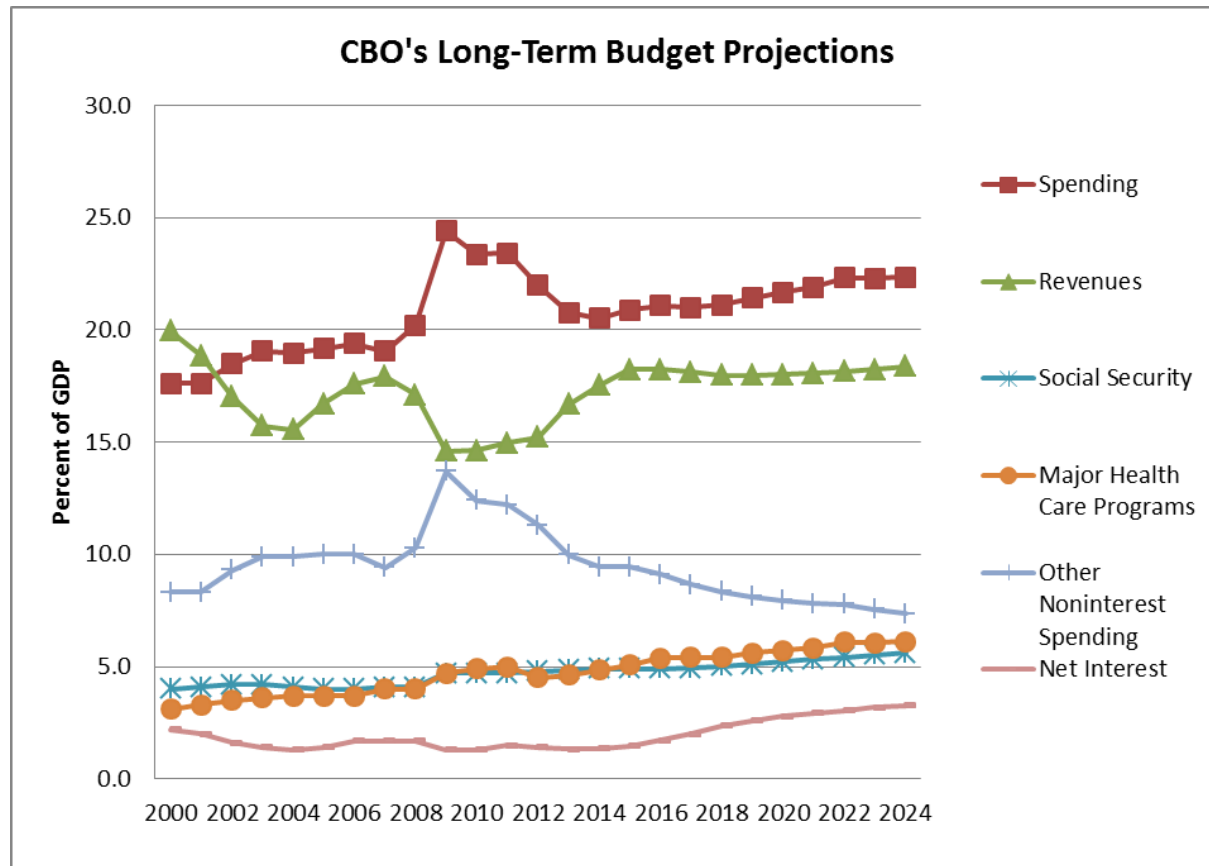
1/ FY 2013 discretionary caps reflect FY 2013 appropriations. FY 2013 sequestration includes other adjustments.

2/ FYs 2014 and 2015 subtotals are the revised caps in the Bipartisan Budget Act, which partially reduces the effect of sequestration on discretionary spending.

Source: Congressional Budget Office, Center on Budget and Policy Priorities



# Post-FY 2015



Source: CBO Budget and Economic Outlook, 2/14



# The Debt Limit

- March 15, 2015 reinstatement
  - Beware the Ides of March
  - “Extraordinary measures” will buy time
  - Bundled with the highway and/or other expiring programs?
  - Implications for FY 2016 budget? BCA? Tax reform?

# More questions than answers

- FY 2015: overall level funding
- Little chance of major legislation
  - Highways: the new can to kick down the road?
- FY 2016 and beyond:
  - Will Congress amend the BCA caps? Up or down?
  - Will deficit reduction be a focus?
  - Will mandatory programs come into play?
  - Will health programs be extended?
  - The policies will stem from the politics.

