

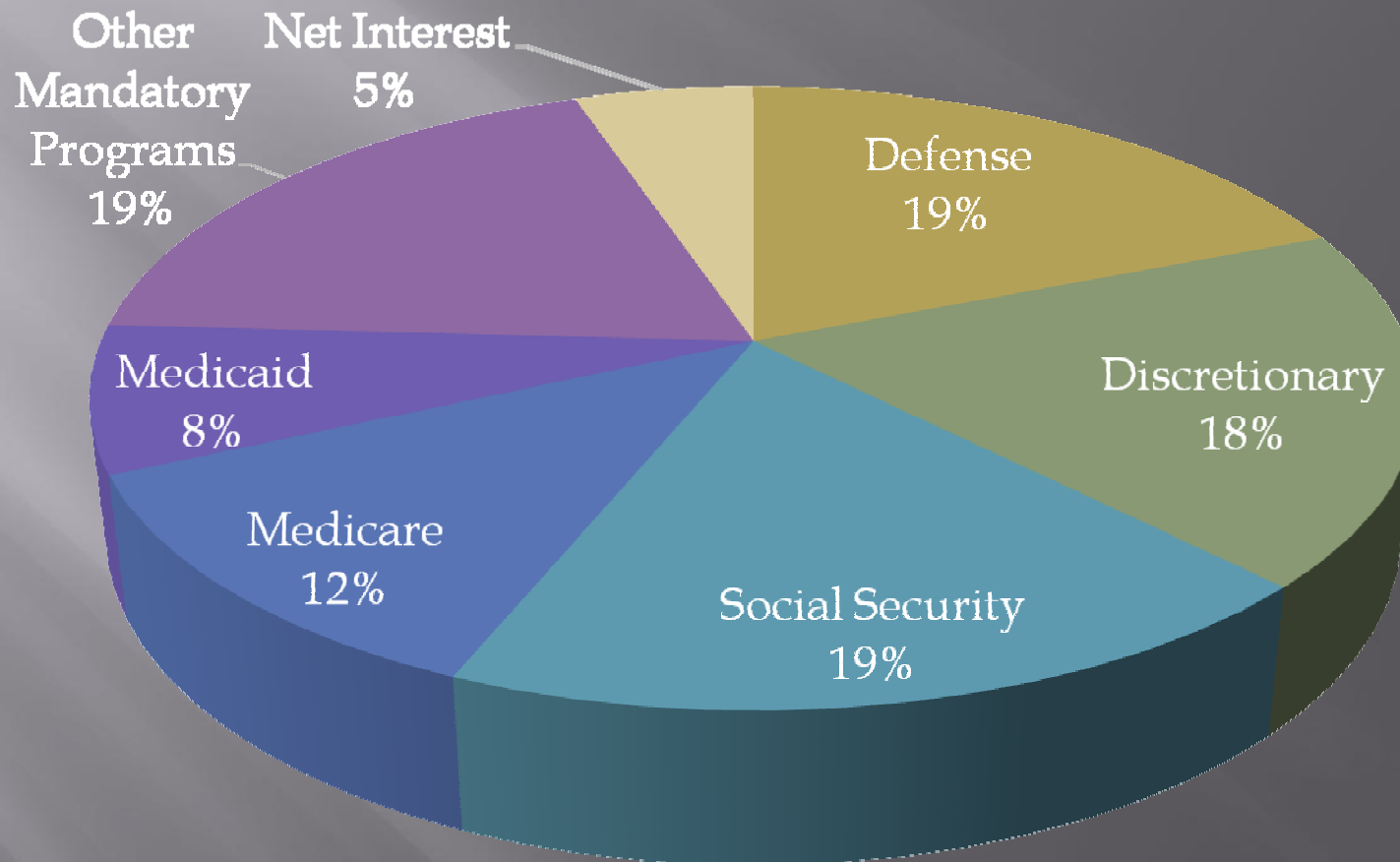
# FEDERAL FUNDS: GOOD? BAD? UGLY?

PRESENTATION TO THE NORTH CAROLINA  
JOINT LEGISLATIVE COMMISSION ON  
GOVERNMENTAL OPERATIONS

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# Federal Outlays for FY 2010

Source: Office of Management and Budget



# Discretionary Program Funding

(dollars in millions)

Department	Funding Level	ARRA Increase	FY 2010 vs. FY 2009
Agriculture	\$7,552	\$500	\$392
Commerce	255	150	15
Education	55,111	91,150	288
HHS	27,107	7,500	296
HUD	42,815	10,750	3,862
Energy, Interior, EPA	3,747	17,300	1,729
Justice	2,115	3,450	148
Homeland Security	2,380	100	22
Labor	6,920	3,850	420
Transportation	58,824	47,250	3,090
Total	206,526	182,000	10,261 (5%)

# Mandatory Program Funding

(dollars in millions)

Program	Funding Level	ARRA Increase	FY 2010 vs. FY 2009
Child Nutrition	16,656	100	1,904
Social Services Grant	1,700	0	0
Child Care	2,917	0	0
TANF	17,059	5,000	0
Medicaid Vendor Payments	231,709	85,593	19,734 (9%)
Medicaid Administration	12,352	0	331
Payments from States for Medicare	-7,748	0	-542
Total	308,732	93,678	20,702 (7%)
Discretionary + Mandatory Total	515,258	275,678	30,963 (6%)

# American Recovery and Reinvestment Act, 2010

- ▣ The only good fiscal news for most states
- ▣ The "cliff"
- ▣ Section 1512 reporting and oversight
- ▣ Longer term funding - High Speed Rail; Health Information Technology; Energy Grants; Expanded Broadband

# Mini-Follow Up to ARRA

## ▣ Medicaid Match Extension

- \* 6-9 months
- \* \$21-32 billion
- \* \$492-738 *million (North Carolina)*
- \* Same maintenance of effort requirements
- \* Health Care Reform Bill or "Jobs" Bill?

# "JOBS FOR MAIN STREET ACT"

- ▣ H.R. 2847 (passed House)
- ▣ \$82 billion in state/local-directed funding
- ▣ \$2.1 billion (North Carolina)
- ▣ Primary programs: Medicaid Match; Transportation and Environment Infrastructure; Education Stabilization Fund; Law Enforcement; Work/Training Efforts

# SENATE "JOBS" BILL

- ▣ Senators Durbin (IL) and Dorgan (ND)
- ▣ Components Under Discussion:
  - Infrastructure
  - Jobs/Job Training
  - Small Business Credits/Incentives
  - Education
  - *Could surface this week*



# CONGRESSIONAL BUDGET OFFICE: JANUARY, 2010 ECONOMIC GROWTH OPTIONS REPORT

- ▣ Extended Unemployment Benefits
- ▣ Extended COBRA Coverage
- ▣ Employer Payroll Tax Reductions
- ▣ Infrastructure
- ▣ Aid To States (other than infrastructure)
- ▣ Investment Cost Expensing

# Cost Shift to States

(dollars in millions)

CBO Determined Mandates that exceed UMRA threshold				
Program	FY 2006 Gap	FY 2007 Gap	FY 2008 Gap	(Estimated) FY 2009 Gap
Food Stamps	\$197	\$197	\$197	\$197
MMA - tax on state drug coverage	60	66	72	78
Internet tax moratorium	100	100	100	100
Minimum wage increase	-	-	100	200

# Cost Shift to States (continued)

NCSL Determined Mandates				
Program	FY 2006 Gap	FY 2007 Gap	FY 2008 Gap	(Estimated) FY 2009 Gap
IDEA full funding	\$6,410	\$4,657	\$7,111	\$5,698
NCLB	10,039	12,287	12,287	12,287
Clean Water SRF	204	10	395	134
TANF	-	1,460	1,460	1,460
Child Welfare	51	65	66	67
Real ID	60	-	1,000	433
Total	22,075	25,306	31,919	33,691

# FY 2011 FEDERAL BUDGET

- ▣ Released in early February, 2010
- ▣ Starts the congressional budget/appropriations process
- ▣ For states, expect level funding at best, select cuts and increases
- ▣ Place-based budgeting
- ▣ Performance evaluation

# FEDERAL TAX EXTENDERS

- ▣ H.R. 4213 (House-passed); no Senate bill
- ▣ Four dozen credits and deductions for individuals, businesses
- ▣ Most expired December 31, 2009
- ▣ Includes optional state and local sales tax deductibility
- ▣ \$31 billion for one year extension
- ▣ Credits vs. Deductions and States

# FEDERAL ESTATE TAX

- ▣ H.R. 4214 (House-passed); no Senate bill
- ▣ FY 2010 - no federal tax
- ▣ FY 2009 - \$3.5 million exemption; 45% effective tax rate
- ▣ FY 2011 - \$1.0 million exemption; 41-55% effective tax rate
- ▣ H.R. 4214 = make 2009 levels permanents
- ▣ State estate and inheritance taxes

# Deficit Reduction Strategies

- ▣ Debt Ceiling (\$12.4 trillion) and Annual Deficit (\$1.7 billion for FY2009) Are Catalysts
- ▣ Legislative Route (H.R. 1557; S. 2853) versus Executive Order
- ▣ Commission or Task Force or Other
- ▣ Inside versus Outside membership
- ▣ State stakes include entitlement, mandatory programs and tax modifications

# Federal Spending Per Dollar of Federal Taxes, FY 2005

source: Tax Foundation, Census Bureau

State	Federal Spending per Dollar of Federal Taxes	Rank
New Mexico	\$2.03	1
Mississippi	2.02	2
Alaska	1.84	3
Kentucky	1.51	9
Virginia	1.51	10
South Carolina	1.35	16
Tennessee	1.27	19
<b>North Carolina</b>	<b>1.08</b>	<b>27</b>
Georgia	1.01	32
Connecticut	0.69	48
Nevada	0.65	49
New Jersey	0.61	50



# For more information

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