

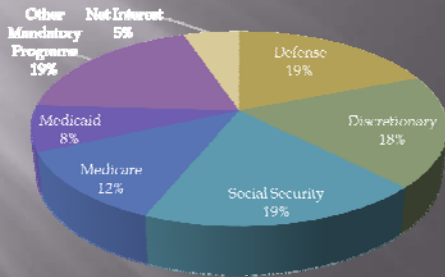
FEDERAL FUNDS: GOOD? BAD? UGLY?

PRESENTATION TO THE JOINT CAUCUS OF THE
ILLINOIS STATE SENATE

Michael Bird, Senior Federal Affairs
Counsel, NCSL, February 9, 2010
Springfield, Illinois

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; Build America Bonds; Race to the Top

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Mini-Follow Up to ARRA

- Medicaid Match Extension
 - * 6-9 months
 - * \$21-32 billion
 - * \$771 million - \$1.15 billion (Illinois)
 - * Same maintenance of effort requirements
 - * Health Care Reform Bill or "Jobs" Bill or another vehicle?

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"JOBS FOR MAIN STREET ACT"

- ❑ H.R. 2847 (passed House)
- ❑ \$82 billion in state/local-directed funding
- ❑ \$3.4 billion (Illinois)
- ❑ Primary programs: Medicaid Match (\$771 million); Transportation Infrastructure (\$1.27 billion); Education Stabilization Fund (\$973 million); Law Enforcement; Work/Training Efforts

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SENATE "JOBS" BILL

- ❑ Package totaling \$82.5 billion
- ❑ Components Under Discussion:
 - Jobs/Job Training
 - Small Business Credits/Incentives
 - Extend surface transportation program
 - *Could surface this week*

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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

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LATEST SENATE "JOBS" AGENDA

- ❑ JOB CREATION TAX CREDIT
- ❑ TAX EXTENDERS
- ❑ UI AND COBRA EXTENSIONS
- ❑ SAFETEA-LU EXTENSION
- ❑ BUILD AMERICA BONDS
- ❑ SMALL BUSINESS LENDING POOL
- ❑ ENERGY EFFICIENCY INITIATIVES
- ❑ INFRASTRUCTURE
- ❑ AID TO STATES

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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

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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
TANF	-	1,460	1,460	1,460
Real ID	60	-	1,000	433
Total	22,075	25,306	31,919	33,691

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FY 2011 President's BUDGET

- ❑ Released on February 1, 2010
- ❑ Totals #3.8 trillion; \$2.1 trillion for mandatory programs and \$1.4 trillion for discretionary programs
- ❑ Proposes a three-year non-security discretionary freeze that will save \$250 billion over the next decade
- ❑ Allows the 2001 and 2003 tax cuts to expire only for those making more than \$250,000 a year

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HIGHLIGHTS - PRESIDENT'S FY 2011 BUDGET

- ❑ \$350-400 million increase for Illinois in various state-federal discretionary programs
- ❑ Transportation, non-Medicaid health funding flat
- ❑ Education boosts: Race to the Top, Teacher Incentives, Pell Grants
- ❑ Child Care Development Block Grant, child care entitlement, child support enforcement increases
- ❑ Weatherization, State Energy Grants up

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FEDERAL TAX EXTENDERS

- ❑ H.R. 4213 (House-passed); no Senate bill
- ❑ Four dozen credits and deductions for individuals, businesses
- ❑ Most expired December 31, 2009
- ❑ Now key ingredient for first of possibly several Senate "jobs" bills

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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 permanent
- ❑ State estate and inheritance taxes

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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

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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
Georgia	1.01	32
Illinois	0.75	45
Connecticut	0.69	48
Nevada	0.65	49
New Jersey	0.61	50

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