



A Busy Time in State-Federal Fiscal Relations

NCSL Legislative Fiscal Directors
July 31, 2022

It's been busy!



COVID recap

Infrastructure Investment and Jobs Act (IIJA)

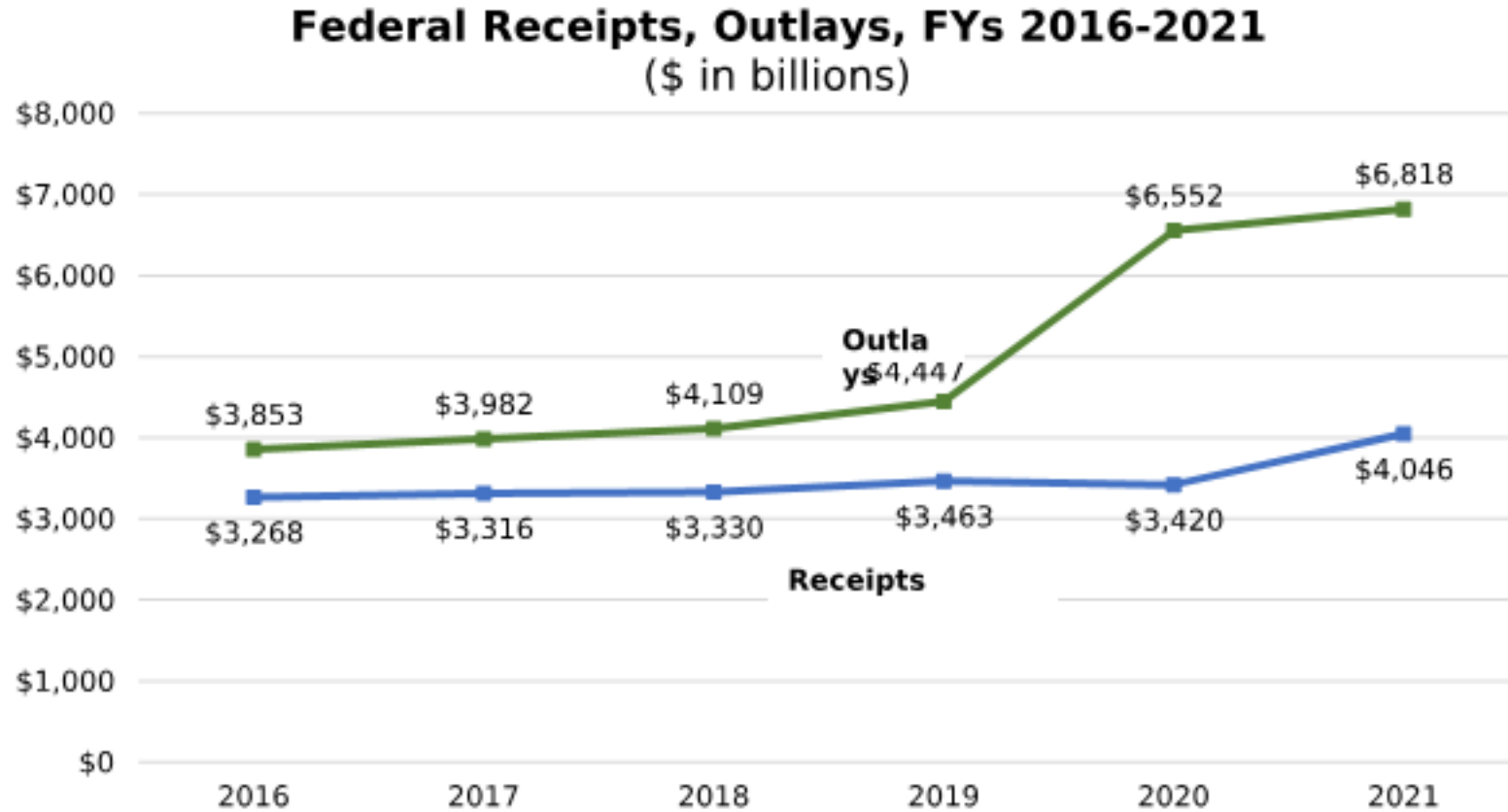
FY 2022 appropriations

Gun safety funding

FY 2023 budget cycle

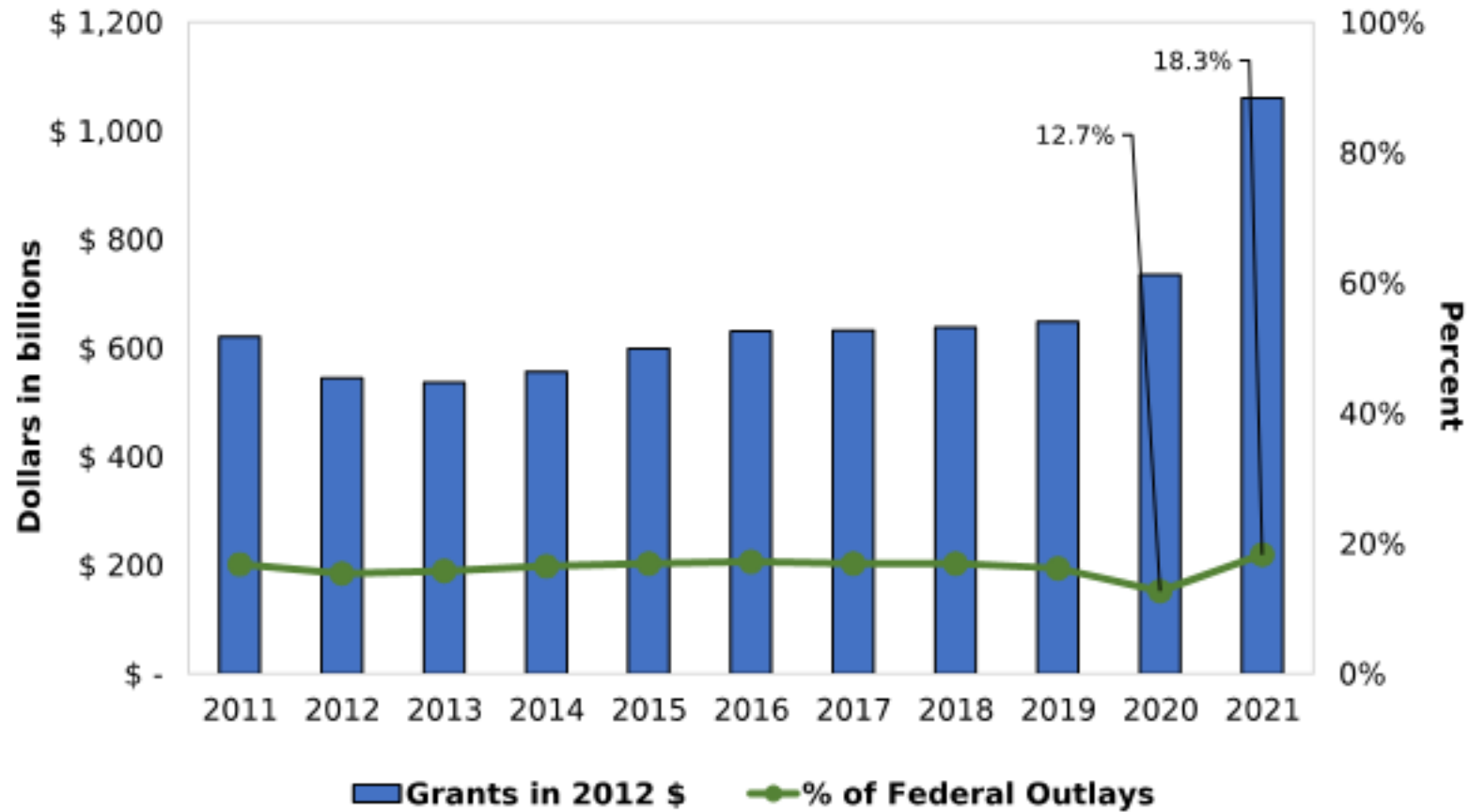
What's next?

COVID: Lots of new federal spending



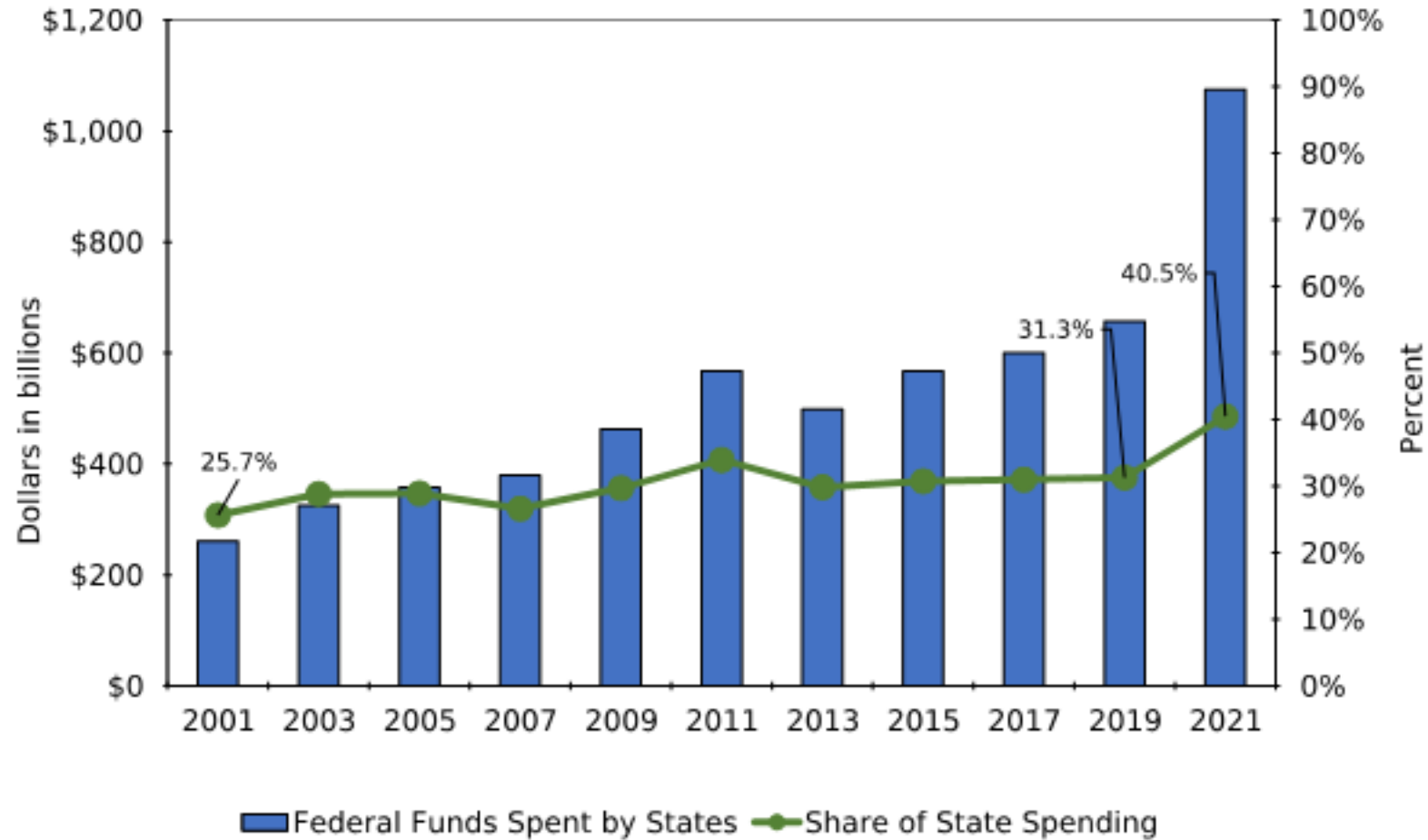
Source: CBO, Monthly Budget Review, November 2021

Grants increased during COVID



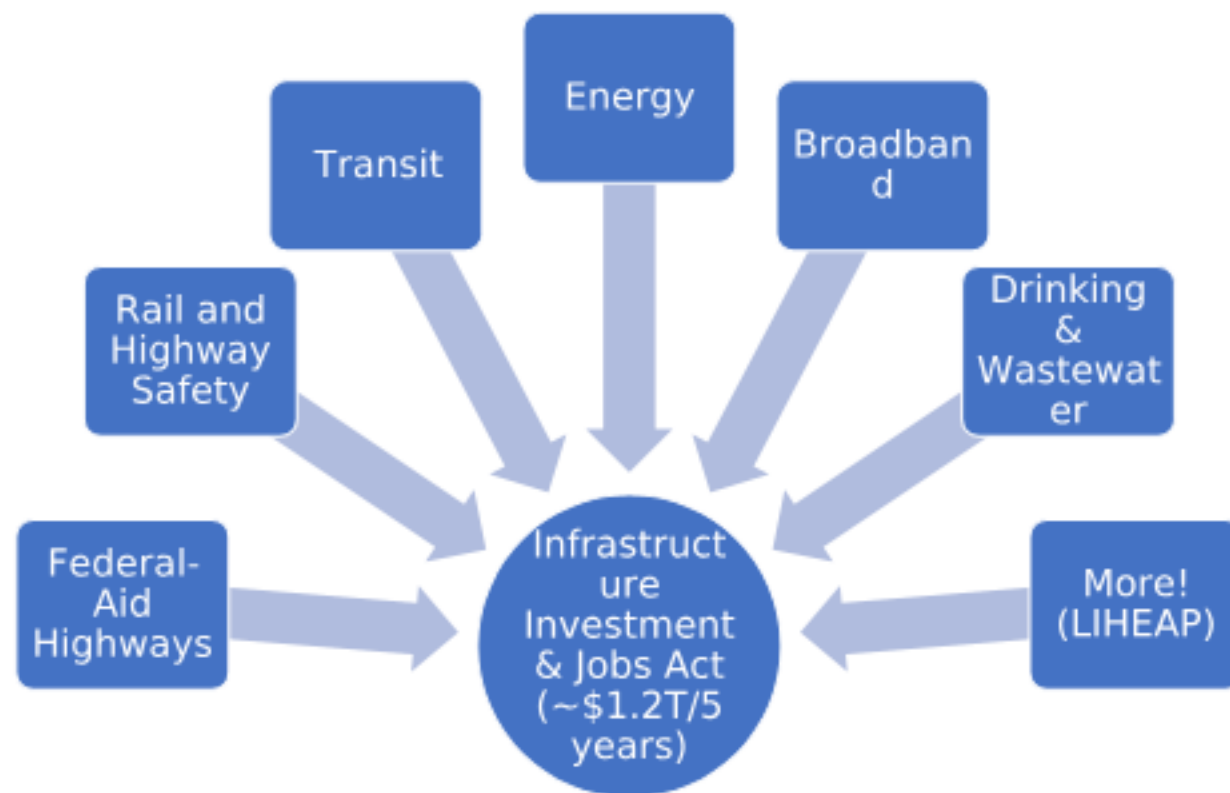
Source: OMB Historical Tables, FY 2023

And states felt the impact

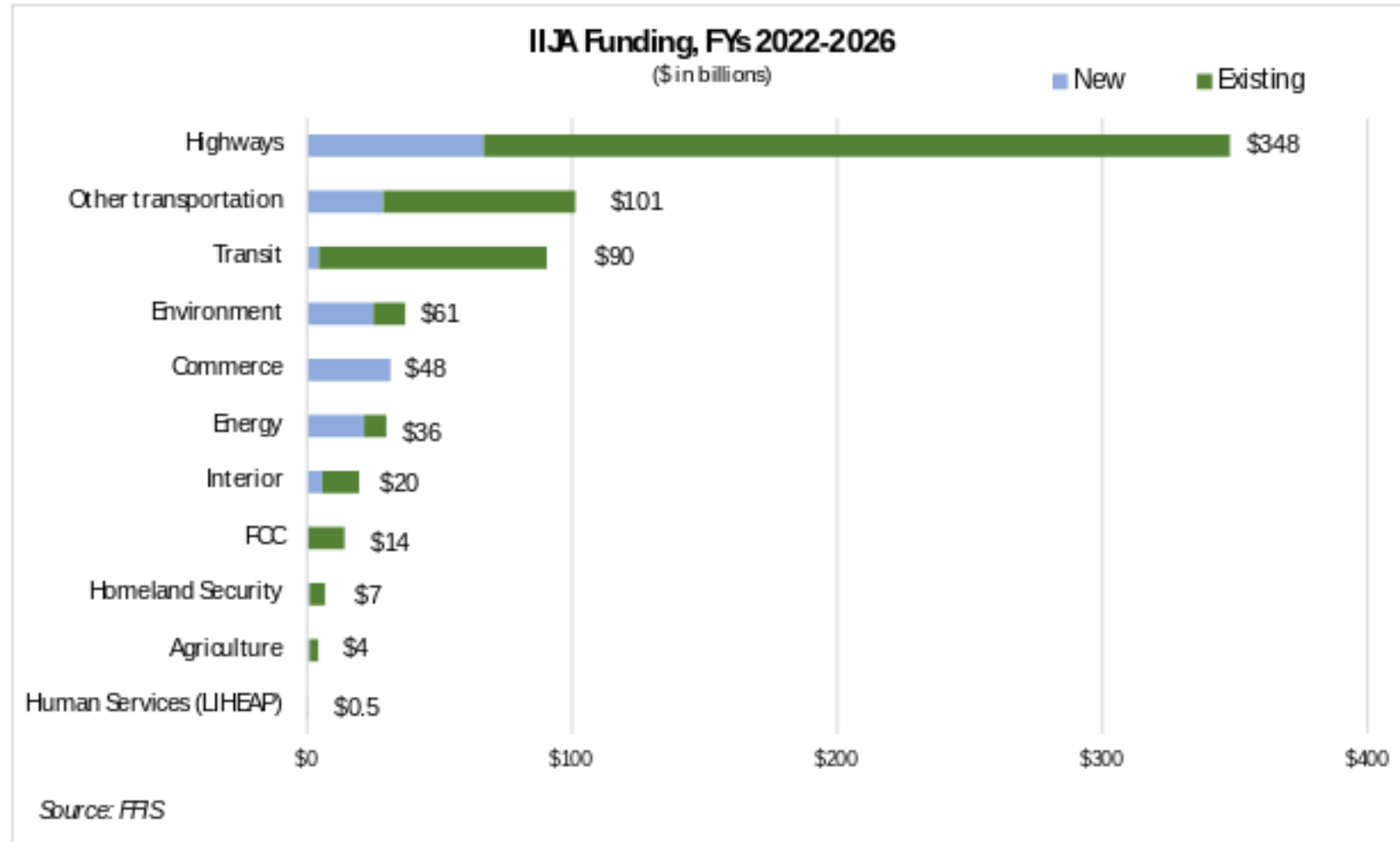


Source: NASBO State Expenditure Report,

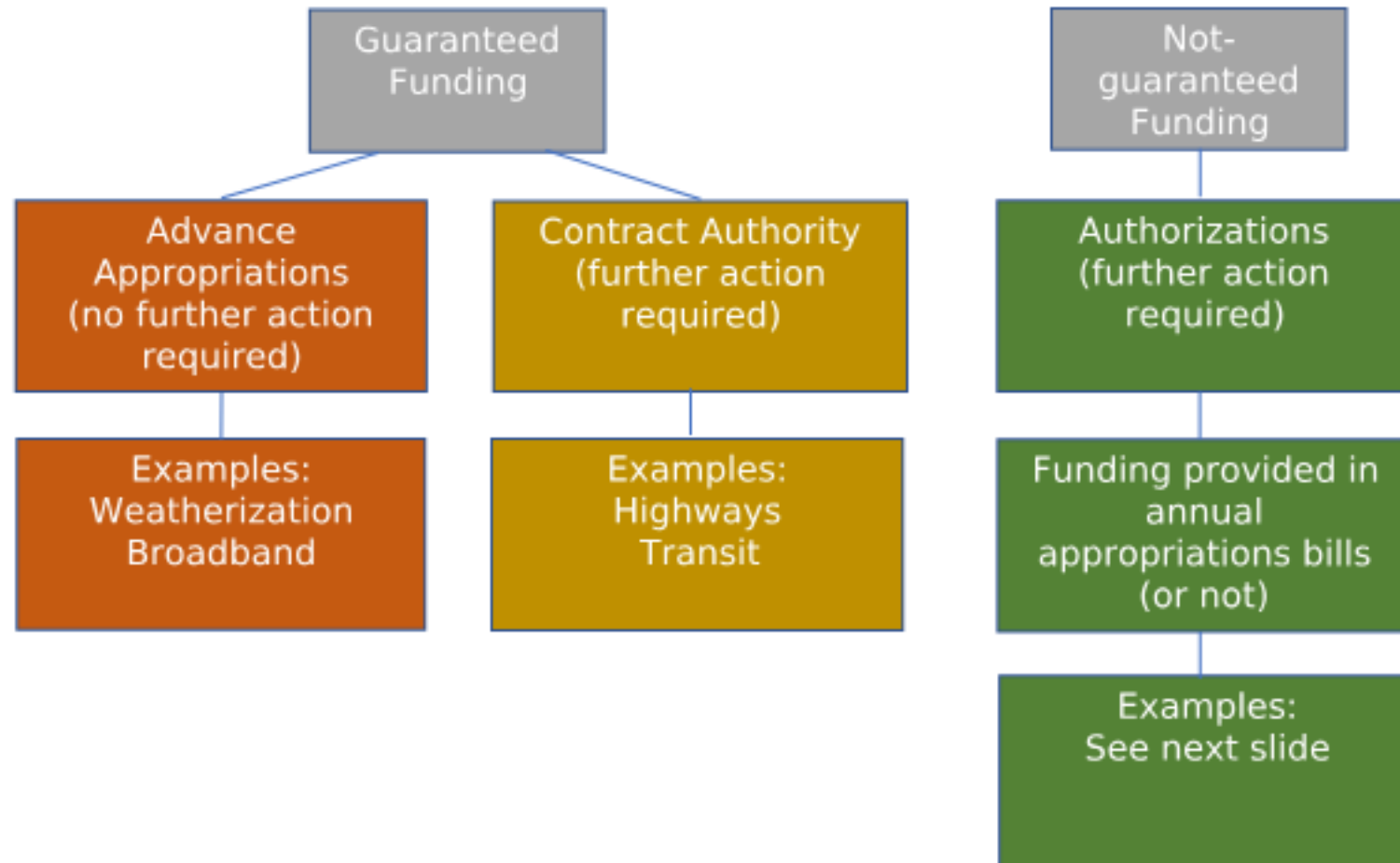
IIJA funds many areas



IIJA funding by department



IIJA: distinctions that matter





Selected programs not funded in IIJA

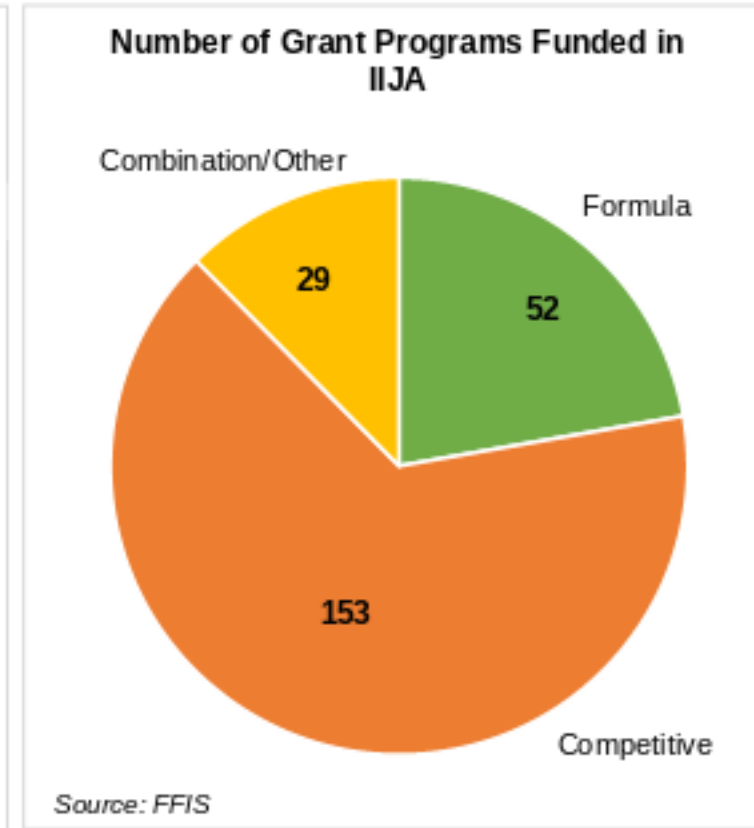
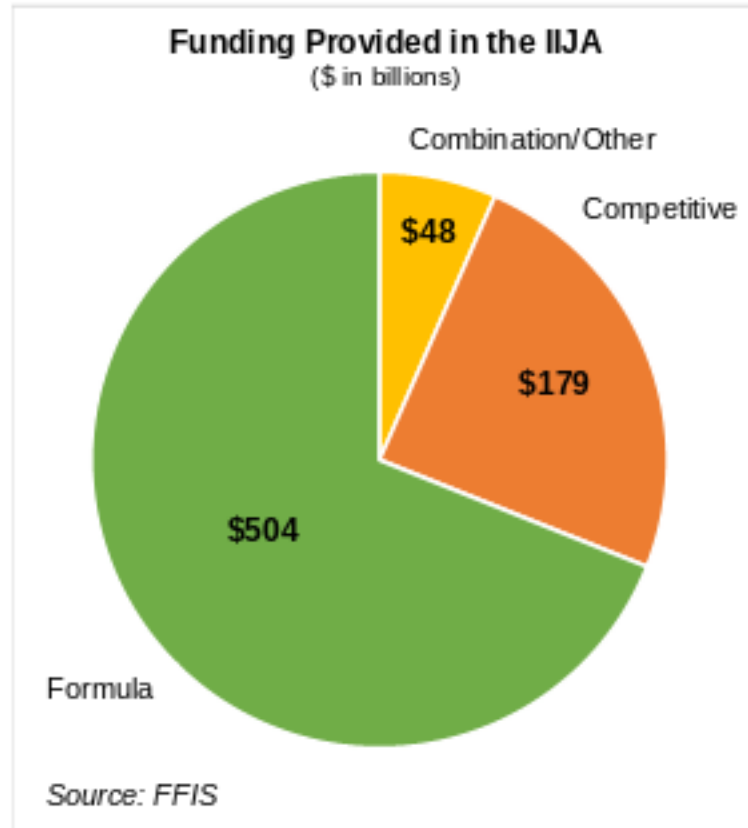


FYs 2022-2026 Funding (\$ in millions)

* House has proposed funding these programs in FY 2023.

Source: FFIS Issue Brief 22-08

IIJA: formula vs. competitive programs

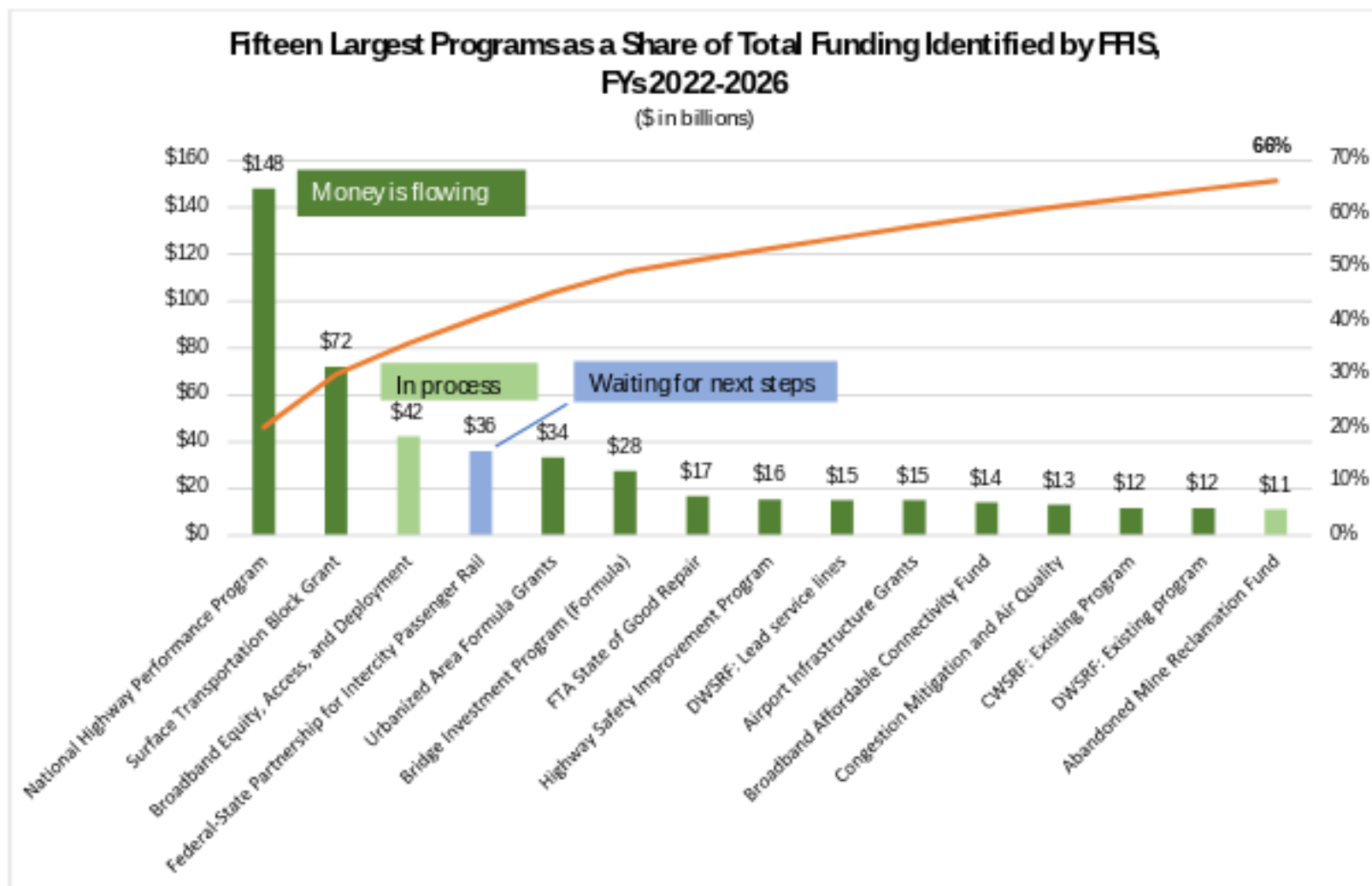




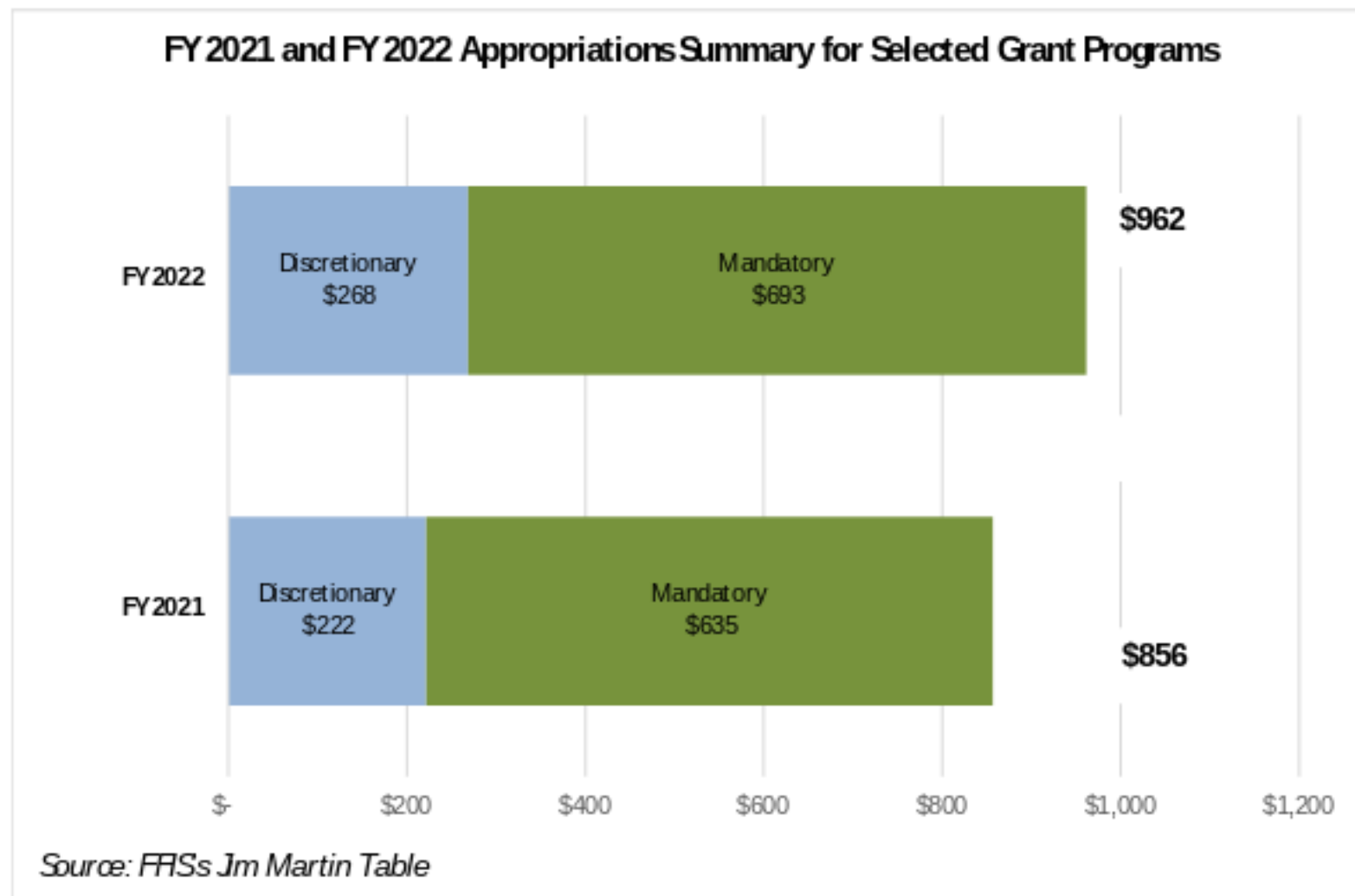
IIJA Implementation

- Federal and state agencies need time to stand up new programs
 - Paperwork Reduction Act and other regulatory hoops
- Other state challenges
 - Tracking funding (IIJA spreadsheet)
 - Competitive announcements (Competitive Grant Update)
 - Waiting for information from federal agencies (Weekly News)
 - Meeting matching requirements (We cannot help with this one)
- Money is moving out the door
- Some authorized programs were not funded in FY 2022

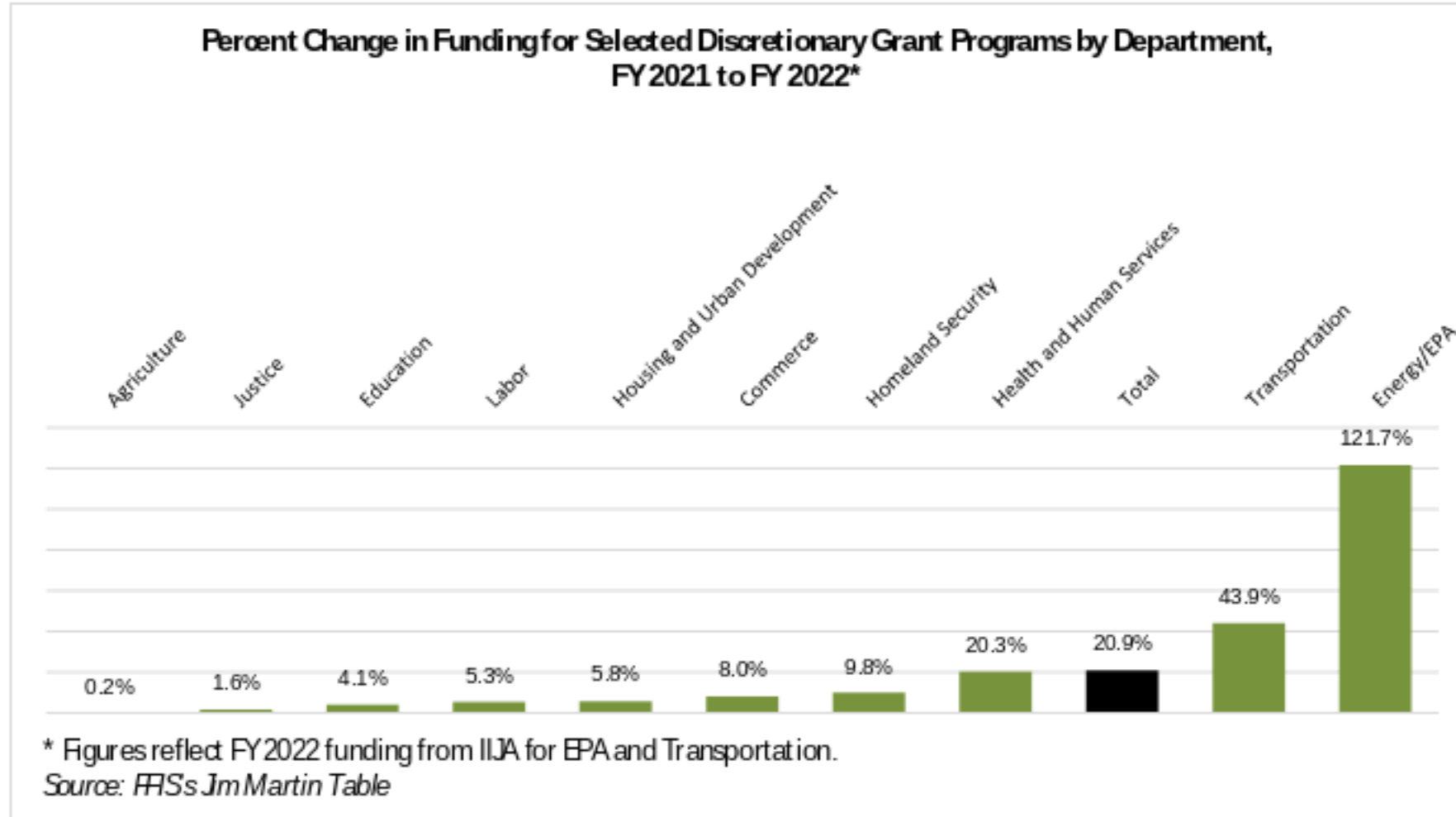
Status of largest IJA grants



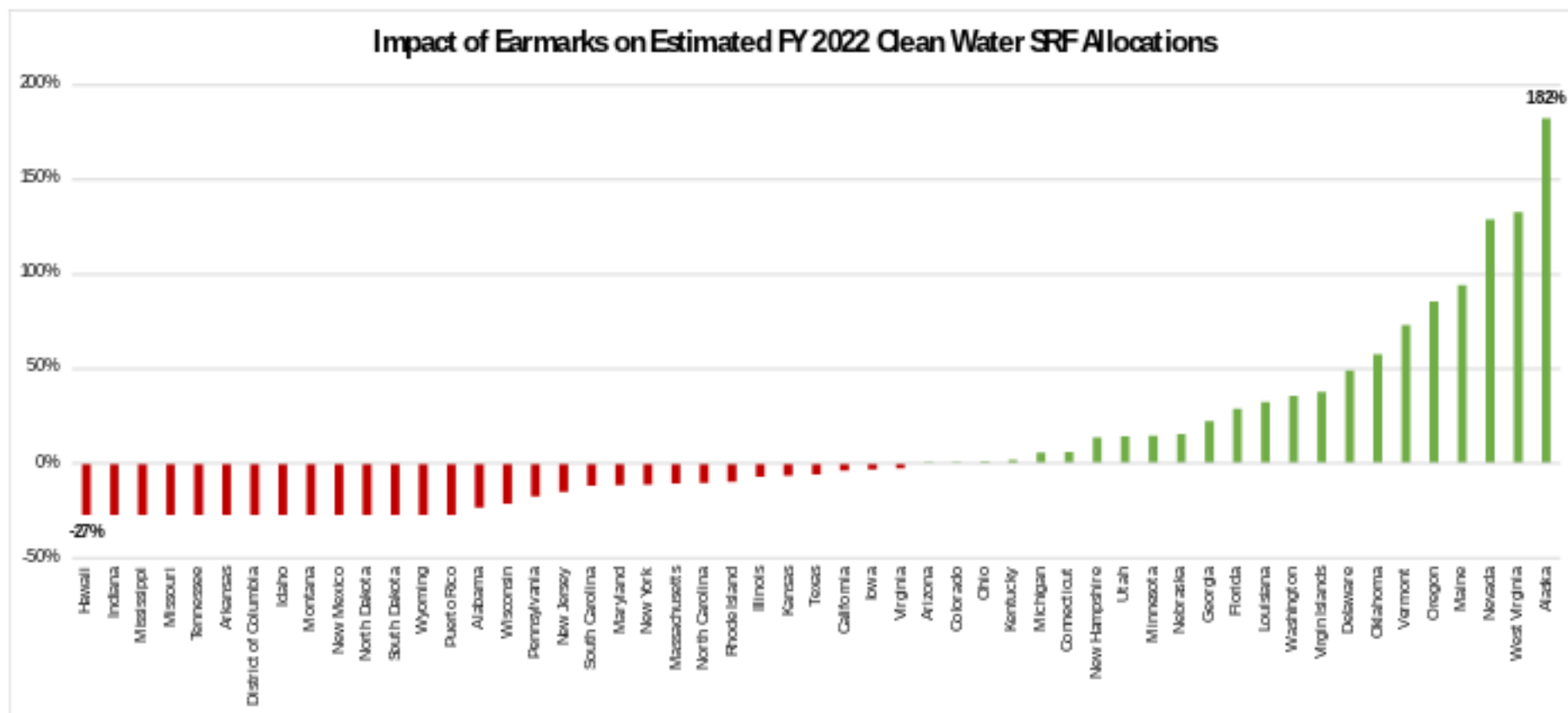
FY 2022 funding summary



FY 2022 appropriations by department



The curious case of EPA earmarks



Bipartisan Safer Communities Act



Program/ Department	Formula/ Competitive	Total Appropriation (\$ in millions)
Department of Justice		
Byrne Justice Assistance Grants (JAG)	F	\$750
STOP School Violence Act (BJA)	C	\$200
STOP School Violence Act (COPS)	C	\$100
Grants to states for National Instant Criminal Background Check System	C	\$200
Community Violence Intervention and Prevention Initiative	C	\$250
Department of Health and Human Services		
Mental Health Block Grant	F	\$250
National Child Traumatic Stress Network	C	\$40
Project AWARE	C	\$240
Mental Health Awareness Training	C	\$120
National Suicide Prevention Lifeline	C	\$150
Primary Care Training and Enhancements	C	\$60
Pediatric Mental Health Care Access	C	\$80
Medicaid School-Based Health Programs - Planning Grants	N/S	\$50
Medicaid Certified Community Behavioral Health Clinic- Planning Grants	C	\$40
Department of Education		
Student Support and Academic Enrichment (SSAE) Block Grant	F	\$1,000
21st Century Community Learning Centers	F	\$50
School Based Mental Health Services Grants	C	\$500
Mental Health Services Professional Demonstration Grants	C	\$500
TOTAL		\$4,580



FY 2023 president's budget highlights

Funds selected priorities

- Climate, crime, diversity, preparedness, mental health, cyber, environment

Funds EPA programs in IIJA

Lots of new mandatory spending

- Cannot be enacted as part of regular appropriations process

New competitive grants

Increases in federal admin funding

FY 2023 budget progress

No concurrent budget resolution

- Without House/Senate agreement on top-line numbers, no budget!

As usual, House acts

- 6/12 bills passed (but not Labor-HHS-ED)

As usual, Senate is slower to act

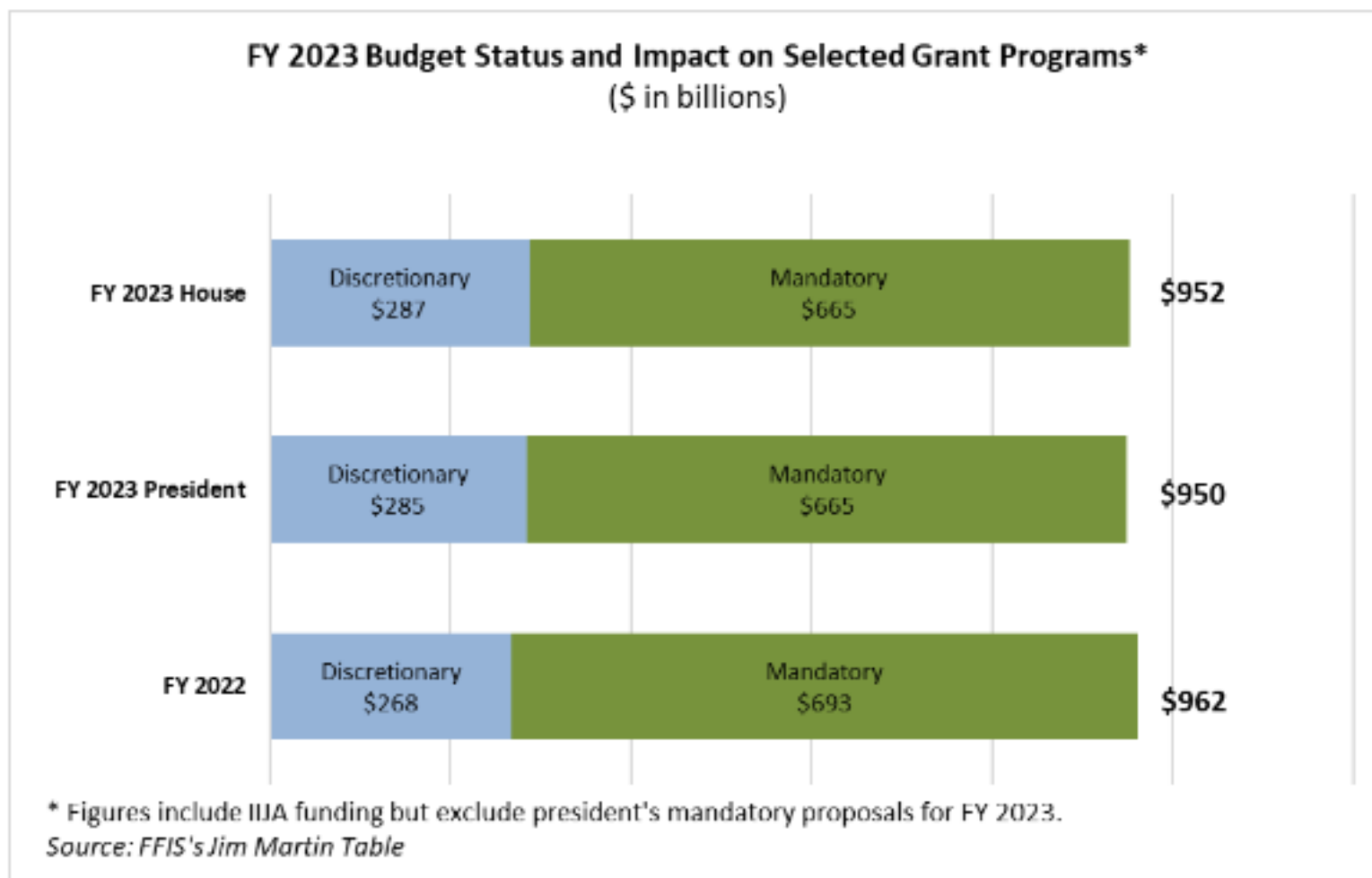
- Released bills but no formal markup

CR to begin new fiscal year

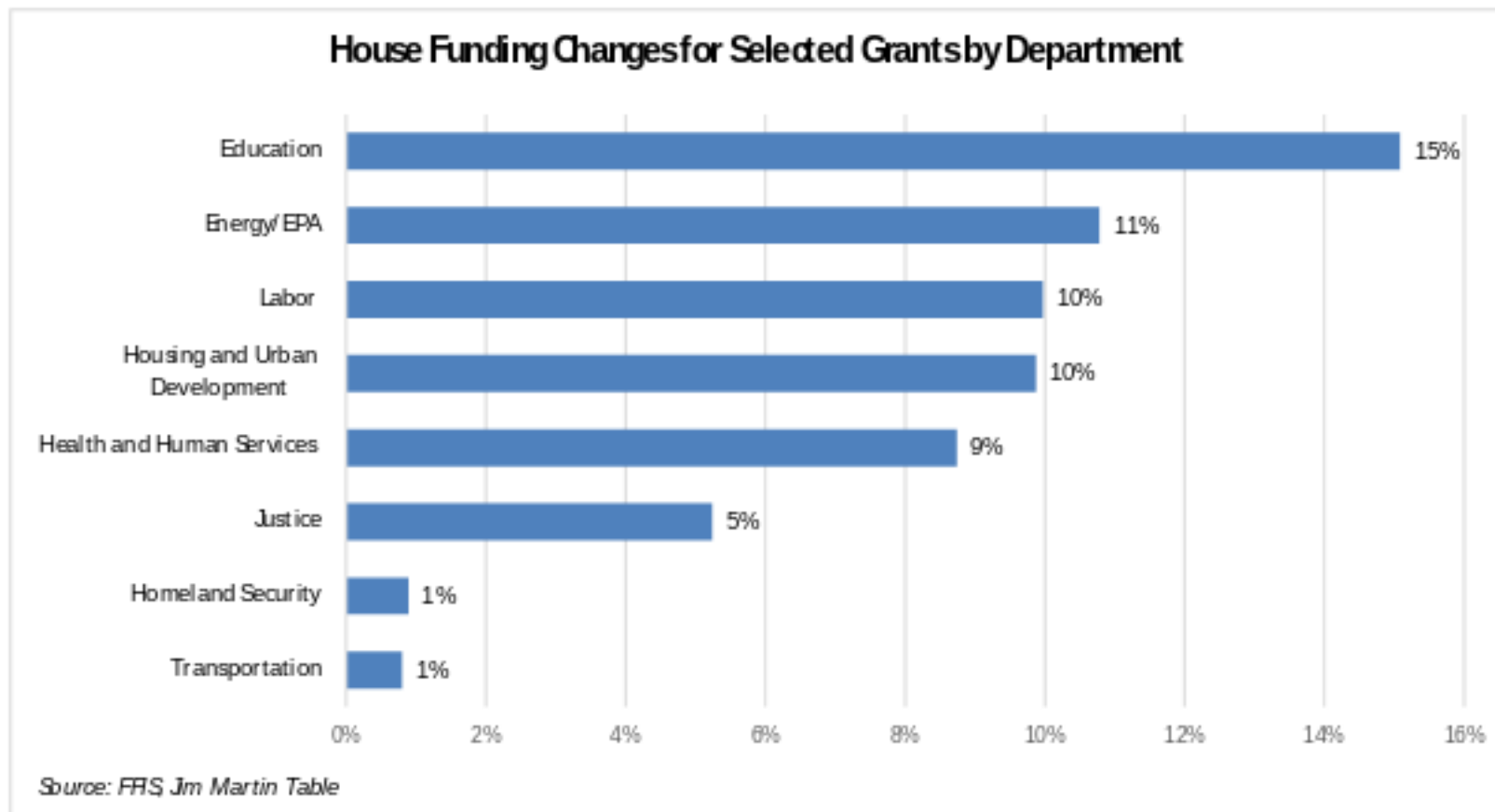
Reconciliation! Who knew?

- Tax, energy/climate, Medicare drug pricing, health insurance subsidies

FY 2023 funding summary



House proposes robust increases



Reconciliation!? Selected provisions

Inflation Reduction Act of 2022 raises \$739B/10 years, spends \$433B

Revenues

- 15% minimum corporate tax
- IRS funding for enforcement
- Medicare drug price negotiating

Energy and Climate

- Clean energy tax credits and rebates for consumers
- Clean vehicle tax credits
- Production, investment tax credits for corporations

Health

- \$2,000 annual cap on drug costs for enrollees
- ACA premium subsidies to 2025
- Vaccine coverage for Medicaid-enrolled adults

Grants

- Several S/L, several targeting other recipients

~\$41B in state/local grants



Agency/Program	Formula/ Competitive	New	FY 2022 (\$ in millions)
Environmental Protection Agency			
Zero-Emission Technology	C	x	\$7,000
Greenhouse Gas Air Pollution Implementation, Planning Grants	C	x	5,000
Grants to Reduce Air Pollution at Ports	C	x	3,000
Environmental and Climate Justice Block Grants	C	x	2,800
Clean Heavy-Duty Vehicles	C	x	1,000
Funding to address air pollution	C		236
Diesel Emissions Reduction	C		60
Funding to address air pollution at schools	C		38
Communication with Integrated Compliance Information System	C	x	3
Department of Energy			
HOMES rebate program	F	x	4,300
High-Efficiency Electric Home Rebate Program	F	x	4,275
Assistance for Latest and Zero Building Energy Code Adoption	C	x	1,000
Grants to facilitation the siting of interstate electricity transmission lines	C	x	760
State-Based Home Energy Efficiency Contractor Training Program	NS	x	200

~\$41B in state/local grants



Agency/Program	Formula/ Competitive	New	FY 2022 (\$ in millions)
Department of Transportation			
Neighborhood Access and Equity Grant Program	C	x	\$3,003
Low-Carbon Transportation Materials Grant	C	x	2,000
Alternative Fuel and Low-Emission Aviation Technology	C	x	297
Environmental Review Implementation funds	C	x	100
Department of Housing and Urban Development			
Improving Energy/Water Efficiency, Climate Resilience of Affordable Housing	C	x	838
Department of Interior			
Bureau of Reclamation Domestic Water Supply Projections	C		550
Rebuilding/Restoring State Wildlife Management Areas, National Wildlife System	C		121
National Oceanic and Atmospheric Administration			
Investing in Coastal Communities and Climate Resilience	NS	x	2,600
Department of Agriculture			
Urban and Community Forestry Assistance Program	C		1,500
Forest Legacy Program	C		700
Wood Innovation Grants	C		100
State and private forest landscape-scale restoration	C		50



When will the PHE end?

- Currently in place until mid-October
 - Implies FMAP in place through end of calendar year
- CBO assumes July 2023 end date
- Administration to provide 60 days' notice before terminating

- Impact of termination
 - o FMAP declines 6.2PP
 - o Affects Medicaid, CHIP, Title IV-E, clawbacks
 - o Combined with large FY 2023 FMAP reductions, whoa Nellie!

FY 2023 FMAP changes



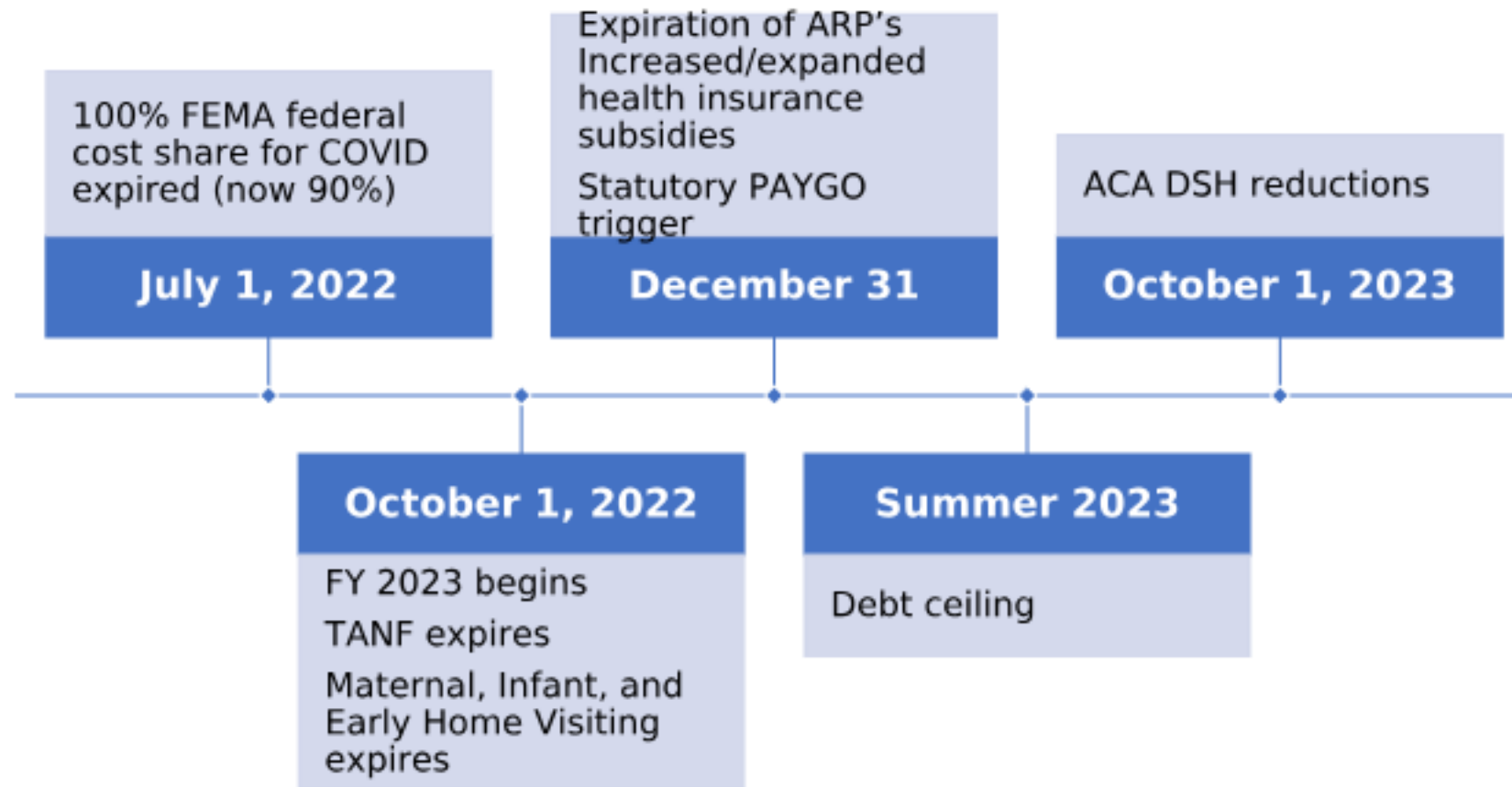
FMAP Declines in FY 2023			
North Dakota	-2.04	West Virginia	-0.66
South Dakota	-1.95	Vermont	-0.65
Illinois	-1.09	Indiana	-0.64
Florida	-0.98	Kentucky	-0.58
Oklahoma	-0.95	Missouri	-0.55
Texas	-0.93	Ohio	-0.52
Utah	-0.93	Arizona	-0.45
Rhode Island	-0.92	Mississippi	-0.45
Georgia	-0.83	New Mexico	-0.45
Montana	-0.78	Kansas	-0.40
Michigan	-0.77	Arkansas	-0.31
Louisiana	-0.74	Tennessee	-0.26
Maine	-0.71	South Carolina	-0.17
Pennsylvania	-0.68	Idaho	-0.10

No Change	
Alaska	0.00
California	0.00
Colorado	0.00
Connecticut	0.00
District of Columbia	0.00
Maryland	0.00
Massachusetts	0.00
New Hampshire	0.00
New Jersey	0.00
New York	0.00
Washington	0.00
Wyoming	0.00

FMAP Increases in FY 2023	
North Carolina	0.06
Nevada	0.06
Alabama	0.06
Nebraska	0.07
Oregon	0.10
Wisconsin	0.22
Minnesota	0.28
Virginia	0.65
Delaware	0.77
Iowa	0.99
Hawaii	2.42



Minding the calendar



What's next?

FY 2022 isn't over - new appropriations

COVID wind-down and tying up loose ends

- Hindsight is 20/20

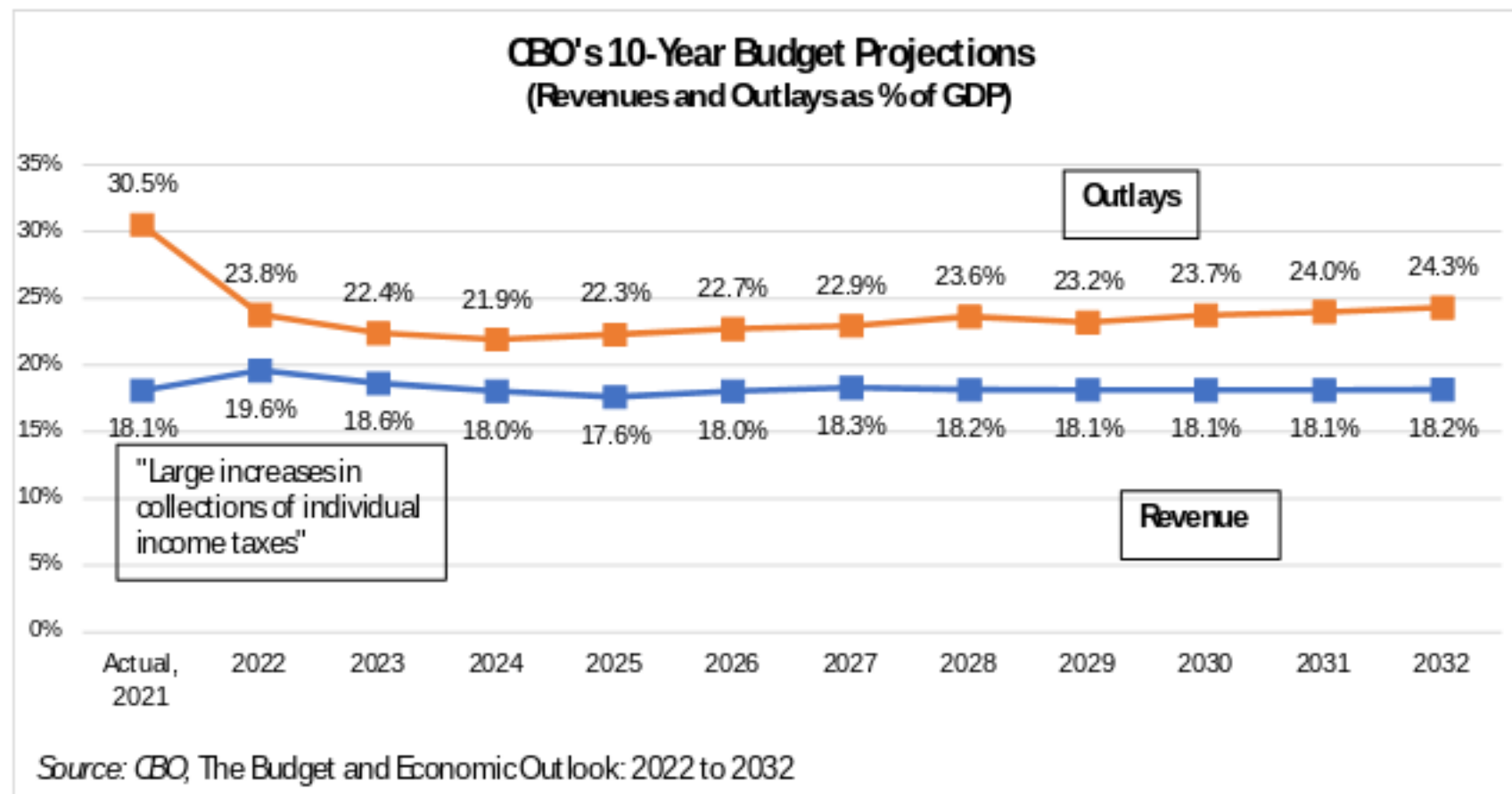
IJA and reconciliation implementation

- House to vote on reconciliation package mid-August
- Remember the match!

Election year

- Affects FY 2023 budget, reconciliation
- Informs every. single. decision.
- And then what?

And then what?



What CBO says

- Deficit > 6.1% of GDP only six times since 1946
 - Outlays: interest and programs providing benefits to the elderly
 - Revenues: Highest level in more than two decades in 2022 before declining
 - Fun fact: when budget was last balanced, revenues were 20% of GDP

- Debt: Dips to 96% of GDP in 2023 and rises thereafter
 - 110% of GDP in 2032 (highest ever) and 185% of GDP in 2052
 - If certain current policies maintained, even larger

- What Marcia wonders: Will reconciliation bill satisfy the demand for deficit reduction? Or will new efforts



Questions?

- **Get latest updates** by joining the email list.

Email eableman@ffis.org (Ethan Ableman)

- **View publications** at ffis.org.

COVID-19 Allocations: ffis.org/COVID-19

IIJA Allocations: ffis.org/IIJA

Contact eableman@ffis.org for login help

- **Follow-up questions?**

Contact Marcia Howard: mhoward@ffis.org