



Sharing capitol ideas.



Washington and the West

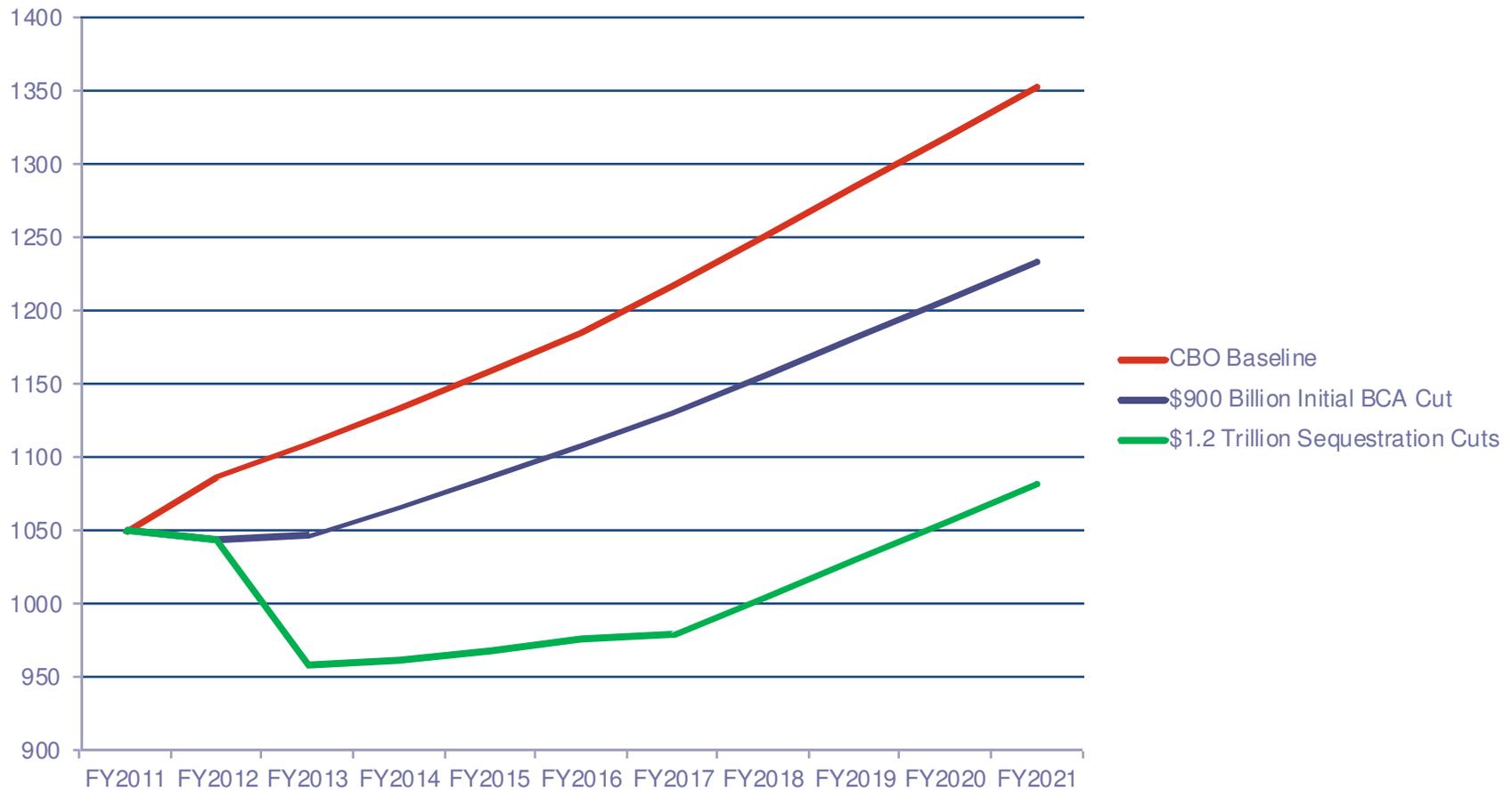


The Storm Approaches...

- A perfect storm of fiscal challenges is rapidly approaching with the expiration of three major tax cuts (the Bush cuts, the payroll cut, and the AMT extension), scheduled reductions in Medicaid doctors payments (the “Doc Fix”), the threat of \$109 billion in FY13 sequestration cuts, and a looming debt ceiling vote. Left unchecked the storm will swamp our economy.
- Despite the failure of the Super Committee process there is a growing bipartisan call for a one-year suspension of sequestration to give time for the new Congress to take another stab at enacting comprehensive tax and entitlement reforms.
- Whether Congress will have the votes necessary to pass legislation to suspend sequestration and extend some or all the tax cuts will depend both on the results of the election and public opinion. Many pundits are staking their hopes on the prospect that a lame duck Congress may be willing to take risks that would have been unacceptable before election day.



Impact on Discretionary Spending (Roughly \$1 trillion of the \$3.5+ Trillion Spent Each Year)





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FY13 Sequestration Impact on the West*

	Cuts in State Funding from Federal Grants**	Economic Impact of Defence Cuts***
Alaska	\$15 million	\$503 million
Arizona	\$94 million	\$1.3 billion
California	\$625 million	\$5.2 billion
Colorado	\$61 million	\$1.1 billion
Hawaii	\$20 million	\$966 million
Idaho	\$24 million	\$84 million
Montana	\$18 million	\$79 million
Nevada	\$37 million	\$237 million
New Mexico	\$36 million	\$281 million
Oregon	\$57 million	\$178 million
Utah	\$41 million	\$449 million
Washington	\$36 million	\$1.3 billion
Wyoming	\$14 million	\$53 million

* Potential Impact of BCA Sequester, Volume 12, No. 2, Federal Funds Information for States, June 2012.

** Includes grants from 28 separate grant programs covering everything from education to homeland security.

*** Includes the impact of cuts in procurement, wages, and grants



Fiscal Oversight Priorities...

With the looming fiscal cliff, a host of state-federal issues will challenge the oversight agendas of fiscal leaders:

- 1. Reduced Federal Grant Revenue** – Although defense spending may be spared, there is little doubt that the 8% sequestration cuts expected for education and 26 other major intergovernmental funding streams will remain.
- 2. Tax Changes** – States may lose much of their ability to utilize provider taxes to fund Medicaid, but they could gain new sales tax authority through Marketplace Fairness.
- 3. ACA Implementation** – In the wake of the SCOTUS decision, legislatures will make key decisions on Medicaid expansion and/or exchange implementation.
- 4. Medicaid Fraud** – States could save over \$10 billion if they brought down the payment errors for their Medicaid systems to levels achieved by the highest performing states. Congress is considering legislation to motivate reform.



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